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DOCUMENTS ON BRITISH FOREIGN POLICY

1919-1939

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FIRST SERIES

Volume XV

LONDON HER MAJESTY'S STATIONERY OFFICE 1967

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Published by
HER MAJESTY'S STATIONERY OFFICE

To be purchased from
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423 Oxford Street, London w.1
13A Castle Street, Edinburgh 2
109 St. Mary Street, Cardiff
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PRINTED IN ENGLAND

FOR HER MAJESTY'S STATIONERY OFFICE

BY VIVIAN RIDLER AT THE UNIVERSITY PRESS, OXFORD

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DATA

First Series, Volume XV

main

International Conferences and Conversations

PREFACE

COMPRISING the minutes of international conferences and conversations on high policy held in 1921, this volume follows up the documentation of the similar meetings in 1920 contained in Volumes VII and VIII of the First Series. It records the proceedings of four conferences attended by representatives of all the Allied Powers, namely the Second and Third Conferences of Paris (Chapters I and VI) held in the aftermath of the First Conference there, i.e. the Paris Peace Conference of 1919–20, and the Third and Fourth Conferences of London (Chapters II and IV). It also includes minutes of smaller meetings between British and French representatives (Chapters III and VII) or British, French, and Italian representatives (Chapter V) and of one series of discussions by Allied Financial Delegates (Chapter VIII). At the last of the main conferences of the year, the Third Conference of Paris, representatives of the United States of America were also present.

The earliest of the conferences documented in this volume, the Second Conference of Paris, was held at the end of January 1921. Its deliberations were mainly, but not exclusively, devoted to three problems which continued to preoccupy Allied statesmen for many months to come, namely German reparation and disarmament, the situation in Greece and Turkey, and the economic plight of Austria. On all three it took important decisions which paved the way for the lengthy Third Conference of London, held from mid-February to mid-March.

On German reparation there was, not for the first time, a sharp divergence of views between Britain and France, but, with the aid of the Belgian representatives in particular, agreement was eventually reached upon new proposals to be put to the German Government. Agreement was also reached both upon the despatch of a note to the German Government concerning their failure to execute the disarmament clauses of the Treaty of Versailles and upon the sanctions to be imposed should their obligations still be unfulfilled by the expiry of an extended time limit. In the Near East, meanwhile, the Turkish Government at Constantinople had still not ratified the Treaty of Sèvres, the strength of the rival Nationalist Government at Angora was undiminished, and the situation in Greece had been clarified since the return of King Constantine at the end of 1920. The Allied representatives decided that the time had come to make a fresh attempt to secure a settlement and to call a conference to which both Turkish Governments as well as the Greek Government should be invited to send delegates. The Allied representatives at Paris also approved the recommendations of a committee they had instituted to consider the economic revival of Austria.

The Allied conference summoned to try and bring about a settlement in the Near East was the Third Conference of London, which is the subject of Chapter II. Proposals that an international commission of inquiry should be sent to the disputed areas of Smyrna and Eastern Thrace were conditionally accepted by the Turkish Nationalists but rejected by the Greek Government.

After further consultations with the leaders of the Greek and Turkish delegations, new proposals, embodying appreciable modifications in the Treaty of Sèvres, were put forward, but their fate remained uncertain since the views of the Government at Angora could not be obtained before the Conference ended.

The business of this Conference was not, however, confined to the affairs of the Near East. A decision was reached concerning arrangements for voting in the Upper Silesian plebiscite, which was fixed to take place on March 20, and the plight of Austria was again considered. After the hearing of the Austrian State Chancellor and subsequent negotiations, the Austrian delegation was on March 17 informed of the readiness of the Allied Governments to postpone certain payments, which they were entitled to demand under the Treaty of Saint-Germain, and to take certain other measures calculated to assist Austria's economic recovery.

The question which, however, dominated the central period of the Conference was again that of German reparation. A German delegation came to London, and on March 1 its leader, the Foreign Minister, explained that the proposals put forward by the Paris Conference in January were unacceptable. His statement outlining Germany's counter-proposals was at once described by Mr. Lloyd George (No. 27, p. 223) as showing 'such a lack of comprehension of the actualities of the case that they [i.e. the Allied representatives] did not think it merited any discussion or examination'. In consequence, the Allies announced their intention to impose sanctions upon Germany, and, after further proposals put forward by the German delegation had proved inadequate (in Mr. Lloyd George's words they 'simply evade and postpone settlement' (No. 45, p. 331)), Dr. Simons was, on March 7, informed that the Allied Governments had 'very regretfully' come to the conclusion that the sanctions must be enforced immediately. They entailed the occupation of three towns, Duisburg, Ruhrort, and Düsseldorf, on the right bank of the Rhine, and certain economic measures, including the erection of a temporary customs barrier along the Rhine.

The impasse, which had thus been reached, continued, and the Allied Powers had to review the German problem afresh in view of the probability that Germany would fail to pay by May 1 the sum of 20 milliards of marks due under article 235 of the Treaty of Versailles. Chapter III records the proceedings of a meeting of the British and French Prime Ministers and some of their advisers held at Sir P. Sassoon's country house, Belcaire, at Lympne near Hythe. This, the fourth such Anglo-French meeting in less than a year to be held in these surroundings, was devoted entirely to the reparation problem and to the question of applying further sanctions in case of continued German default. In view of French insistence, Mr. Lloyd George agreed that a new Inter-Allied Conference to discuss these problems should be called at the earliest possible moment. The upshot was the fourth Conference of London, documented in Chapter IV, at the end of which the Allied representatives addressed a note to the German Government threatening the occupation of the Ruhr Valley and 'all other military and naval

measures that may be required' if Germany did not within six days accept the schedule of reparation payments agreed upon by the Allies and undertake without delay to carry out the unfulfilled sections of the Treaty of Versailles, in particular those relating to disarmament and the trial of war criminals. These demands precipitated the fall of the German Cabinet. The new Government accepted them and the threatened occupation of the Ruhr Valley did not take place.

Six weeks later, a brief meeting was held in Paris (see Chapter V) at which British, French, and Italian representatives were present. In particular, they reviewed two of the most difficult of the non-German problems discussed earlier in the year. In the Near East the Turkish Nationalist and Greek Governments had rejected the further proposals put forward by the Third Conference of London in March, and soon afterwards hostilities between Greeks and Turks had been resumed. In Upper Silesia, although the plebiscite had been duly held, the Allied Commissioners had been unable to agree upon recommendations for drawing the frontiers, and, while the fate of the territory was thus in suspense, a serious Polish insurrection had broken out which met with resistance from German 'self-defence' forces. The delegates at the Paris meeting explored ways and means of securing an agreed set of recommendations from the Plebiscite Commission and also the possibility of making a new offer of mediation in the Græco-Turkish conflict.

These two questions again came up for review by the Third Conference of Paris, held in August and recorded in Chapter VI. A Greek offensive against the Turks was, however, still in progress, and the Conference decided that, in view of the military situation, the time was not ripe for a fresh offer of mediation. As for the Upper Silesian question, it once again proved intractable. The British and French views were too divergent to be satisfactorily reconciled, and the Conference admitted defeat by inviting the Council of the League of Nations to make a recommendation. At this meeting several other subjects were also discussed. Among the decisions taken were those to end the economic sanctions imposed earlier in the year against Germany and to institute a commission to examine what Mr. Lloyd George described (No. 95, p. 672) as the 'exceptionally difficult, very urgent and very terrible problem' of relief for the starving population of Russia.

The Russian situation was one of the factors in the European economic stagnation, which preoccupied British statesmen at the end of the year. Another was the financial situation in Germany, where, Mr. Lloyd George thought (No. 106, p. 767), there was 'imminent danger' of 'a crash leading to a Bolshevik revolution'. Accordingly, when M. Briand and Mr. Lloyd George and their advisers met again, this time in London shortly before Christmas, the main concern of their deliberations, as recorded in Chapter VII, apart from a brief discussion of an interesting proposal for an Anglo-French alliance (No. 110), was the consideration of a draft British plan for re-establishing better economic conditions in Europe by means of an international association or syndicate. This plan and the possibility of Germany's participation in such a scheme were then examined in greater detail by the Allied Finance

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Ministers and their experts in the meetings in Paris recorded in the last Chapter in this volume, Chapter VIII. But further discussion of these and other problems was reserved for an Inter-Allied Conference to be held in January 1922 at Cannes.

The conferences here documented have been numbered in continuation of the numbering adopted in Volumes VII and VIII. Diplomatic correspondence relating to some of the major problems discussed at the conferences recorded in this volume will be printed in Volume XVI, dealing with Upper Silesia and Germany, and in Volume XVII, dealing with the Near and Middle East.

The records in this volume were, like those in Volumes VII and VIII, made in general by the British secretariat and, like those in the earlier volumes, they are printed in the sequence of their original notation, I.C.P. 149-220. In accordance with previous practice, explained in the Prefaces to Volumes VII and VIII, the Foreign Office file reference (for the I.C.P. documents in this volume, Secret/General/202/2) is not printed at the head of each document, since the reference is uniform. The one exception to the run of I.C.P. papers here printed is the series of notes of conversations held in Paris in June 1921 (Nos. 88-90), printed in Chapter V. It is not clear from the file who made the notes in English of the conversations held on June 18 and 19 and recorded in No. 88. The only record of the two subsequent meetings preserved in Foreign Office files is comprised in the notes made by the French secretary, copies of which were transmitted to the Foreign Office. The Foreign Office file reference has accordingly been printed at the head of these three documents.

The documents here printed have been edited in accordance with the methods adopted and explained in Volume VII (p. v) and Volume VIII (p. vii): that is to say that, where the only filed Foreign Office record is in Confidential Print, that record has been collated with the original type-written texts prepared in the British secretariat. Four documents (Nos. 106, 108, 109, and 111), headed 'Draft' in the file Secret/General/202/2, are otherwise identical with the typescript text: the word 'draft' has not therefore been reproduced.

I have edited this volume in accordance with the standing conditions, which continue to be fulfilled, of access to all papers in Foreign Office archives and freedom in their selection and arrangement.

As I have already indicated in the Preface to Volume XIV, I am grateful to the Foreign Office and to my colleague, Mr. Rohan Butler, for enabling me to complete the editing of this volume. I have also to thank the Librarian of the Foreign Office, Mr. R. W. Mason, C.M.G., and the Deputy Librarian, Mr. C. J. Child, O.B.E., and their staff, for the help they have rendered on many occasions. Last, but by no means least, I must express my gratitude to Miss I. Bains, M.A., whose assistance throughout the preparation of the volume has been invaluable.

February, 1965 J. P. T. BURY

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B.F.S.P. British and Foreign State Papers (London).

Cmd. Command Paper (London).

Documents ... réparations Documents relatifs aux réparations (Ministère des

Affaires Étrangères), vol. i (Paris, 1922).

F.R.U.S. Papers relating to the Foreign Relations of the United States

(Washington).

Frangulis A. F. Frangulis, La Grèce, son statut international, son histoire

diplomatique, vol. ii (Paris, 1934).

H.C. Deb. 5 s. Parliamentary Debates (Hansard), Official Reports, 5th Series,

House of Commons (London).

7.0., Chambre: Débats Journal Officiel (Débats Parlementaires), Chambre des

Députés (Paris).

J.O., Sénat: Débats Journal Officiel (Débats Parlementaires), Sénat (Paris).

L/N.O.J. League of Nations Official Journal (Geneva).

Reparation Commission Reparation Commission. Report on the work of the Reparation

Report (1920-2) Commission from 1920 to 1922 (London, 1923).

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CHAPTER VII

Conversations in London between British and French Ministers December 19-22, 1921

105	NO. AND NAME MEETING OF BRITISH AND FRENCH REPRESENTATIVES 11 a.m. I.C.P. 209	Dec. 19	European economic situation: improbability of U.S. help in measures to secure stability; need for close Anglo-French co-operation and for German fiscal reforms; Wiesbaden Agreement and question of Belgian reparation priority.	760
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	NO. AND NAME	DATE	MAIN SUBJECT	PAGE
106	MEETING OF BRITISH AND FRENCH REPRESENTATIVES 12.15 p.m. I.C.P. 209A	Dec. 19	German financial and economic situation: question of opening up Central and E. Europe to German trade; influence of German magnates and character of German Govt. under Dr. Wirth; danger of bankruptcy.	764
107	MEETING OF BRITISH AND FRENCH REPRESENTATIVES 12 NOON I.C.P. 210	Dec. 20	German reparation and European recovery: U.S. Govt.'s unwillingness to remit British debts; Mr. Lloyd George's outline of H.M.G.'s proposals for general settlement and suggestions for revival of trade in Central and E. Europe; questions to be examined by experts; Dr. Rathenau to be consulted.	768
108	MEETING OF BRITISH AND FRENCH REPRESENTATIVES 12 NOON I.C.P. 211	Dec. 21	1. Inter-Allied Conference at Cannes planned for Jan. 1922. 2. Sir R. Horne's report on meeting with Dr. Rathenau (see No. 107) to discuss cooperation in economic reconstruction of Europe: U.S. participation improbable; suggested syndicate system: Russian situation and need for contact with Soviet Russian Govt.: further meeting of experts arranged.	774 776
109	MEETING OF BRITISH AND FRENCH REPRESENTATIVES 6.30 p.m. I.C.P. 212	Dec. 21	European economic reconstruction plan: questions of (i) association with it of Ger- man reparation payments, (ii) proportions to be taken in scheme by different nation- alities, (iii) French relations with Soviet Russian Govt.	782
110	Conversation between Mr. Lloyd George and M. Briand I.C.P. 211A	Dec. 21	Proposed Anglo-French alliance: British and French views on its character and advantages.	7 ⁸ 5
111	Meeting of British and French Representatives	Dec. 22	1 (and 4). European economic reconstruction: agreement for revision of British draft proposals (see App. 1).	788
	11 a.m. I.C.P. 213		2. German reparation: proposals to deal with immediate situation, procedure agreed.	789
			3. Outline of Anglo-French experts' proposals (see App. 3).	791 706
			5. Realisation of reparation bonds (see App. 4). App. 1. British Govt.'s proposals of Dec. 22 for re-establishing better economic conditions in Europe.	79 6 797
	A.J. 307 A.J. 306	Dec. 22	App. 2. Revision of proposals in App. 1. App. 3. German reparation: British and French experts' proposals. App. 4. British Govt.'s scheme for realizing German reparation bonds.	798 800 804

CHAPTER VIII

Meetings in Paris of Allied Financial Delegations December 29-31, 1921

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112	Meeting of British and French Financial Delegations 10.30 a.m. I.C.P. 215	Dec. 30	European economic reconstruction: 1. French translation of British proposals (No. 111, App. 2). 2. Capital of proposed international association. 3. Allocation of capital. 4. Suggested German participation in scheme. 5. Sum for initial expenses. 6. Discussion with Belgian and Italian representatives. 7. Revised French text to be prepared.	806 807 809 810 810
113	Meeting of British, French, Belgian, and Italian Financial Delegations 11.30 a.m. I.C.P. 216	Dec. 30	Belgian and Italian delegates informed of recent Anglo-French discussions on European economic reconstruction and of proposed discussion of revised plan (see No. 112, minute 7).	811
114	Meeting of British Financial Delegation 2.45 p.m. I.C.P. 217	Dec. 30	Decision to maintain contention that capital of proposed international association should be subscribed in sterling.	812
115	MEETING OF ALLIED FINANCIAL DELEGATIONS 5.15 p.m. I.C.P. 218	Dec. 30	European economic reconstruction: 1. Discussion of revised French text of proposals (see No. 112). 2. Participation of Germany. 3. Franco-British committee to work out practical application of the scheme. 4. Capital of proposed corporation. 5. Currencies in which capital to be subscribed.	813 815 816 818 819
116	DISCUSSION BETWEEN BRITISH AND FRENCH FINANCIAL REPRESENTATIVES 9.30 p.m. I.C.P. 219	Dec. 30	 General discussion on European financial situation. Agreement on proposals to be made relating to capital of suggested corporation. 	822 822
117	MEETING OF ALLIED FINANCIAL DELEGATIONS 10 a.m. I.C.P. 220	Dec. 31	European economic reconstruction: 1. Capital of proposed corporation and character of central syndicate. 2. Detailed consideration of 3rd French draft of British proposals: decision to refer whole question to meeting of Prime Ministers at Cannes in Jan. 1922.	824 829
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CHAPTER I

Proceedings of the Second Conference of Paris and Records of Conversations connected therewith January 24–29, 1921

No. 1

I.C.P. 149¹] British Secretary's Notes of an Allied Conference held in the Salle de l'Horloge, Quai d'Orsay, Paris, on Monday, January 24, 1921, at 11 a.m.

PRESENT: France: M. Briand (in the Chair), M. Barthou, M. Berthelot, Marshal Foch, General Weygand, General Nollet; secretaries, M. Massigli (Secretary-General), M. Chastenet.

British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister; The Rt. Hon. The Earl Curzon of Kedleston, K.G., &c., Secretary of State for Foreign Affairs; Field-Marshal Sir H. Wilson, Bart., G.C.B., D.S.O., Chief of the Imperial General Staff; General Bingham; SECRETARIES, Sir Maurice Hankey, Mr. R. B. Howorth, Mr. St. Quintin Hill.

Belgium: M. Jaspar, Colonel Theunis, General Maglinse; SECRETARIES, Viscount Davignon, Viscount Terlinden.

Italy: Count Sforza, Count Borin [Bonin] Longare, General Marietti, Marquis della Torretta; secretaries, Signor Galli, Signor Zanchi, Count Vannutelli-Rey.

Japan: Viscount Ishii; secretaries, Mr. Tsubokami, Mr. Sawada. Interpreter: M. Camerlynck.

M. Briand,² in extending a cordial welcome to the Allied representatives attending the conference, said that he felt sure that the time was not one for making set speeches, but for endeavouring to reach practical results. As would be seen from the tentative agenda which had been prepared by the French Government, the programme before the conference was a heavy one, both in the number of subjects for discussion and the complexity and difficulty surrounding certain of the topics themselves. He suggested that in the first place the conference should consider the question of disarmament, leaving for settlement at some later time the order in which the remaining subjects on the agenda should be taken. If this suggestion met with general approval,

- ¹ Preceding documents in the I.C.P. series are printed in Vols. II (Chap. II), VII, and VIII.
- ² M. Briand had taken office as French President of the Council and Minister for Foreign Affairs on Jan. 16, 1921.

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he proposed to ask Marshal Foch³ to describe the present position regarding disarmament, the steps which had been taken in the past to carry out the requirements of the Treaty of Versailles in this matter, and the measures which it might be necessary to adopt in the future with a view to the complete fulfilment of Germany's undertakings in this matter.

(At this point Field-Marshal Sir Henry Wilson and General Marietti4 entered the room.)

MARSHAL FOCH gave the conference a description of the situation regarding disarmament, and drew attention to the report on the execution of the military and air clauses of the Treaty of Versailles, dated the 30th December, 1920, which had been circulated under cover of a letter addressed by himself to the president of the Conference of Ambassadors. This report pointed out, inter alia, that the German Government had failed to carry out completely the requirements laid down in the Boulogne note and the Spa protocol, that Germany should at once make its legislation conform to the military clauses of the treaty.6 In particular, compulsory military service had not been abolished as regards the individual German States. Certain important technical and administrative formations had not been dissolved as required by the treaty, and the legislation, so far passed, even contemplated the establishment of 'complementary troops' additional to the total effectives of 100,000 men allowed by the treaty. Secondly, the surrender and destruction of war material was proceeding, but had not yet been completed. The Germans, in particular, were attempting to retain heavy guns at Custrin and Königsberg which ought to be surrendered,7 and were making difficulties in giving up the excess material which would become surplus as a result of the reduction of the army to 100,000 men. In short, it might be truly said that the disarmament of Germany was still far from complete. Thirdly, attention should be directed to the unsatisfactory state of affairs in connection with the disarmament of the civil population, and the unauthorised formations known as the 'Einwohnerwehren' and 'Sicherheitspolizei.'8 Only an insignificant part of the arms in the hands of the civil population had so far been surrendered. In the case of the unauthorised formations, not only was the surrender of arms proceeding very slowly, but the German Government had itself on two occasions formally refused to carry out the disarmament of the 'Einwohnerwehren' and the 'Orgesch' in East Prussia and Bavaria, on the plea that the internal political situation in Germany did not justify such action

- ³ President of the Allied Military Committee of Versailles.
- 4 Field-Marshal Sir H. Wilson was Chief of the Imperial General Staff; Gen. Marietti was the Italian representative on the Allied Military Committee of Versailles.
- ⁵ This report and the covering letter are printed in Vol. X as enclosures 1 and 2 in No. 352.
- ⁶ For the Boulogne note of June 22, 1920, see No. 166 in Cmd. 1325 of 1921 (cf. Vol. VIII, No. 36, n. 4); for the Spa Protocol of July 9, see No. 190 ibid. (cf. Vol. VIII, No. 50, pp. 480–1, and No. 52, n. 5).
 - ⁷ Cf. Vol. X, Nos. 337 and 346.
 - 8 'Home Guards' and 'Security Police'.

at the moment. In the case of the 'Sicherheitspolizei', about two-thirds of the arms had been surrendered, but the obligation under the Boulogne note to dissolve this particular force by the 22nd September, 1920, had not been satisfied. In the case of the 'Einwohnerwehren' and the 'Selbstschutzorganisationen,'10 the stipulation in the Boulogne note for early suppression remained a dead letter, and the recent attempts of the German Government to evade their responsibilities in the matter of the dissolution of these unauthorised forces merely indicated their lack of good faith in the matter. Marshal Foch suggested that it might be well if General Nollet¹¹ should give the conference information on the present position in Germany.

In reply to an enquiry by General Nollet as to whether the conference desired a complete statement of the present position, Mr. LLOYD GEORGE asked whether there was any new material factor which was not referred to in the documents before the conference.

GENERAL NOLLET then indicated that a note addressed by him on the 18th January to M. Barthou¹² contained some interesting information showing that the actual position in Germany was really more unsatisfactory than Marshal Foch's report appeared to indicate. The report was the usual fortnightly report addressed by the military representatives at Berlin to Marshal Foch.

MR. LLOYD GEORGE pointed out that neither the British nor the Italian War Office had seen the report in question, and difficulties would certainly arise if documents of this kind were suddenly presented to the conference without having been previously submitted to the Allied experts. He enquired whether the report contained any really new facts, and, on being assured by M. Barthou and General Nollet that the report disclosed no point of difference with Marshal Foch's report, he suggested that the conference should continue the discussion on the basis of the latter.

M. Briand then intimated that it might be interesting if the conference was to hear from General Nollet his views as to the general position of German disarmament. The cold facts and figures stated in the reports were not altogether, perhaps, very satisfactory unless they were supplemented by information showing the line which was being adopted by the German Government and an estimate of the latter's future intentions. In this way the conference would get a truer picture of what was happening in Germany than a detailed study of the bare facts in the documents could disclose.

MR. LLOYD GEORGE said that he thought the figures represented very accurately the facts in the present case. For example, the surrender by the Germans of guns, machine guns, rifles, munitions and war material had been very large, and the figures as contained in the reports afforded, in his judgment, a very striking and remarkable instance of what had been

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⁹ See Vol. X, Nos. 72 (p. 99) and 352 (p. 485). For the 'Orgesch' i.e. Escherich organization, see ibid., Nos. 277 and 318, enclosure 1.

^{10 &#}x27;Self-defence organizations'.

¹¹ President of the Inter-Allied Military Commission of Control in Germany.

¹² French Minister of War.

accomplished up to date. He felt doubtful as to the utility of any enquiry into German intentions. On this subject General Nollet might hold one view and other equally competent experts might hold opposite views. No useful purpose would be served by a conflict of opinion on what was or was not the intentions [sic] of the German Government in this matter.

M. Briand said that, if it was the wish of the conference that facts and figures only should be discussed, he was quite willing to fall in with Mr. Lloyd George's view. He must, however, emphasise the point that the Treaty of Versailles definitely imposed certain obligations upon Germany in the matter of disarmament, and it was now necessary for the heads of Governments to ascertain very thoroughly and carefully the extent to which Germany had carried out her undertakings. In particular, the complete fulfilment of the treaty provisions regarding disarmament was a matter of life and death to France, and if those provisions were not to be carried out, it might be necessary for France to resort to extreme measures in the essential interests of her future security. He thought at this stage that it would be most helpful if the conference could hear Marshal Foch's opinion as to what Germany was capable of accomplishing in a military sense, if she was inclined to adopt an aggressive or mischievous policy. How many men, for example, could she put into the field; what kind of army could she organise at short notice, and what chance was there that she could successfully resist the Allies by force of arms?

MR. LLOYD GEORGE said that he would be much interested to hear Marshal Foch's opinion on the important matters referred to by M. Briand. He would like particularly to hear Marshal Foch's estimate of Germany's present power of aggression and the extent to which she could be regarded, from the military point of view, as in any way a menace to the peace of Europe. In this connection he would like to hear not only how many men Germany could put into the field, but what chance there was that these men could really be formed into a modern army. He reminded the conference that substantially the Germans no longer possessed any heavy guns, or any quantity of machine guns, ammunition, &c., while the major proportion of their rifles had been surrendered to the Allies for distribution.

Marshal Foch stated that the German Regular Army ('Reichswehr') had now been reduced to the 100,000 men allowed by the peace treaty as interpreted by the Spa Protocol. It was, however, important to remember that the character of this force was essentially different from that which had been contemplated by the Allies. In this connection Marshal Foch quoted the German General von Secht [sic], 13 who had described the army as a framework of officers and non-commissioned officers. The local or district police forces, amounting to 150,000 men in all, had become a State police force. Behind them were 30,000 civilian police and some 17,000 gendarmerie, making the quite respectable total of 350,000 [sic] armed men to keep order in Germany. The Allies must remember that this force consisted of the best

¹³ The reference is presumably to Gen. von Seeckt, Chief of the German *Heeresleitung* (Army Command).

elements in the old German army, and undoubtedly it was capable of undertaking very serious military operations. Then, in addition, there was the 'Orgesch', which in effect constituted the reserve, out of which would be drawn the rank and file of an army, the framework of which would consist of the 350,000 men to whom he had already referred. As an indication of the illicit recruiting which was in progress, reference was made to the largely increased numbers of Forestry and Custom House officials over pre-war numbers.

Turning to the aggressive power possessed by this force, Marshal Foch said that, in his opinion, the Allies could not say they were safe until they had received from the Germans the last gun, the last machine gun and the last rifle which had to be surrendered under the treaty. At present he was very far from being able to assure the Allied representatives that disarmament was complete. This was particularly the case in regard to machine guns, and he estimated that there might be as many as 70,000 machine guns left in the hands of the unauthorised forces or of civilians in Germany. Similarly, a very large number of rifles remained in the hands of unauthorised persons. In his view Germany could put a quite respectable army in the field in a short space of time. He reminded the conference that the treaty not merely required the dissolution of Germany's old army, but expressly forbade the adoption by the German Government of measures directly or indirectly leading up to mobilisation. In his view Germany, finding herself unable to maintain her army on the old plan, was carefully preparing to mobilise an army on an entirely new and original plan, and the Allies were witnessing a new conception of a national army which might well turn out to constitute as grave a danger to the peace of Europe as its predecessor. The Allies had not only to disarm Germany, but they had to dissolve these unauthorised military forces, and if they failed to do so they would only get the treatment they merited. To give an idea of the obstructive tactics pursued by the German Government, Marshal Foch instanced the refusal to surrender the 3,000 guns forming the surplus armament of the fortresses of Königsberg, Custrin and Boyen;¹⁴ 500 of these guns were heavy guns of the character which the Germans were forbidden to possess by the treaty, and are capable of being used in the field by the army.

MR. LLOYD GEORGE enquired how many guns Marshal Foch thought that Germany now possessed.

MARSHAL FOCH said that it was impossible for him to say. Certain figures had been agreed upon after discussion, but a margin remained, and there were at all events 300 field guns which were due for surrender. His answer would, of course, also depend on the reply which ultimately would be given to the German Government as regards the retention of the fortress guns, and it must also be remembered that a certain number of guns had probably been wilfully hidden.

(At this point Major-General the Hon. Sir F. R. Bingham, chief British

¹⁴ See n. 7 above. 5

representative on the Inter-Allied Commission of Control in Germany, entered the room.)

MR. LLOYD GEORGE asked General Bingham how many guns, in his opinion, Germany had got and had not yet delivered.

GENERAL BINGHAM said that, in his view, the Germans had surrendered very nearly all their artillery; 400 light guns remained with the new army, and after taking account of the number of guns destroyed since the armistice, and the absence of facilities for manufacturing, he was disposed to think that not more than 100 guns altogether were unaccounted for. This estimate did not take account of the big guns left in the fortresses and now in dispute. In addition, of course, there were 660 guns in the North Sea defences which the Council of Ambassadors had decided must be surrendered. Germany was appealing against this latter decision on the ground that it was contrary to the treaty.

MR. LLOYD GEORGE then enquired how many machine guns General Bingham thought remained in unauthorised hands in Germany.

GENERAL BINGHAM answered, that apart from the number of machine guns declared but not yet delivered to the Allies, and the number in the legal possession of the military forces, not more than 8,000 to 10,000 machine guns were outstanding.

MARSHAL FOCH enquired on what basis General Bingham reached his conclusion with regard to this number. He himself was proceeding on the basis of the number of machine guns known to have been possessed by the Germans at the date of the armistice, and, deducting therefrom the actual number of machine guns handed over to, or declared to, the Allied commissions, the German army had more than 200,000 machine guns in 1918, and finds of hidden guns were an indication of the number which had been concealed.

General Bingham explained that in calculating the number of machine guns, he had taken the number of German divisions on the 1st July, 1918 and after fixing the establishments of heavy and light machine guns to a division he had added a number for reserve and for six months' manufacture up to December 1918. In that month the revolution had broken out, and no further manufacture of machine guns had been possible. The total thus reached gave 153,000 machine guns from which must be deducted 25,000 surrendered at the armistice, 45,000 lost or destroyed by the Germans in the course of the retreat, 70,000 surrendered to the Military Commission, and 8,000 in the hands of legal organisations in Germany. These figures gave a total of 148,000, and to the difference (5,000) between the figure and the 153,000 mentioned above he added 5,000 machine guns used by men training in Germany before the armistice, this gave the 10,000 machine guns unaccounted for.

¹⁵ This decision had been taken on Dec. 27, 1920; see Vol. X, No. 342, §(9). The German Government's request for an armament of 1,086 guns for North Sea coastal defences had been reduced to 420 guns by the Allied Military Committee of Versailles.

Marshal Foch said that some of the figures given by General Bingham were doubtful and others were debatable. In any case no account had been taken of the very large number of spare parts of which 15,000,000 had been found in the arsenal at Spandau, from which a very large number of machine guns could be built up.

General Nollet said that the opinion of the Inter-Allied Commission at Berlin was not in agreement with that of General Bingham. The commission had unanimously agreed that a great number of machine guns must still be hidden in Germany, and that the very greatest care should be exercised in making calculations. At Spandau, which was only one of the thirteen great German arsenals, no less than 127,000 machine guns had been turned out during the war, whilst at the time of the armistice the inventory of the arsenal showed that there were 70,000 machine-gun barrels finished and 194,000 machine-gun barrels in process of manufacture. The German military establishments, administration and organisation was [sic] very much more complete and efficient than had been generally recognised, and there was a distinct danger that enquiries made by experts belonging to armies less lavishly equipped might underestimate the military resources left to Germany.

MR. LLOYD GEORGE pointed out that it was equally possible that such experts might overestimate these resources.

GENERAL NOLLET gave as an example the fact that for the two machine guns allowed as the armament of a company of pioneers, Germany is providing eighty breeches and 500 barrels for renewals. In fact it has been established that in spite of the orders of the Commission of Control, the spare parts which were found at Spandau have been distributed amongst different bodies of troops, where it will be difficult to seize them.

That was why, when the Commission of Control gave its approval to the conclusions of the Sub-Commission on Armaments so far as concerns guns, it made the most explicit reservations to these conclusions which relate to machine guns. As Marshal Foch had said, an unexpected visit made fifteen days ago to Fort No. 7 at Königsberg, under the direction of a British officer, led to the discovery in the local baths of sixty boxes of material in which were found, besides optical material, some two-barrelled machine guns of a 1918 type. The existence of this type of machine gun was known, but not one of them had till then been found. These boxes had been carried away from the arsenal of Königsberg. It was not possible to complete the inspection the first day. The day after everything had disappeared. This incident was of a kind which would naturally arouse legitimate suspicions in the minds of the Allied Governments. The Commission of Control reasoning from similar facts had not therefore adopted the conclusions of the Sub-Commission on Armaments relative to machine guns and rifles, although it recognised fully the value of the work of that sub-commission.

Moreover, besides the destruction of existing material, one must face the possibility of Germany manufacturing new material. For this, three things suffice: labour, which is abundant in Germany; manufacturing plant, the destruction of which has not yet taken place; and raw materials, of which

Germany still possessed metallic ores. Further, there was still in the arsenal of Spandau alone, in the form of broken guns and battered military effects, enough material to manufacture 6,700 field-gun barrels. This could be done in two months. In so far as neither guns, machine guns, nor rifles had been completely destroyed, and in so far as material for manufacture still existed, the disarmament of Germany could not be considered as satisfactorily completed.

MR. LLOYD GEORGE said that after hearing the Allied experts he proposed that at the afternoon conference the heads of Governments should discuss what was to be done. He, therefore, proposed to ask Marshal Foch to tell the conference what he would advise the Allies to do in the event of it being found necessary to make further demands on Germany and she was to refuse or, what was the same thing, to fail to comply with these demands.

Marshal Foch replied that the Allies could use various methods of compulsion. Besides, violation did not necessarily imply the application of compulsion. All that was necessary was to hold to the formula 'execution of the treaty,' and to take note of every violation of the treaty as it occurred. When the Allies judged that the measure was full, they would proceed to take action. The penalties would have to be proportionate to the end in view. It was possible to contemplate the occupation of Frankfort and of the Ruhr. We could even go further. We could be content with taking certain measures on the left bank of the Rhine. What mattered was to take note of the violations of the treaty, and not to proceed to action until the 'cup was full.'

MR. LLOYD GEORGE enquired what Marshal Foch meant by the measures which could be taken on the left bank of the Rhine.

MARSHAL FOCH replied that it would be possible, for instance, to apply article 270 of the treaty, which provided for the possibility of the application to the Rhine territories of a special customs régime.

MR. LLOYD GEORGE and M. BRIAND thought that this article could hardly be invoked as a means of compulsion.

Marshal Foch suggested an eventual transformation of the occupation or an extension of its period. The Allies ought to be the more ready to assert their will because the German Government really wished to have its hand forced. It would be delighted to use Allied pressure as an excuse for adopting measures which, in the absence of such an excuse, it would not be strong enough to enforce. The more energetic the Allies showed themselves, the more rapidly would disarmament proceed.

MR. LLOYD GEORGE then enquired from Count Sforza¹⁶ whether the Italian military advisers had any information on the subject of German disarmament.

GENERAL MARIETTI stated that he had always been in the most complete agreement with his colleagues on the Allied Military Commission at Versailles. In his view perhaps one of the most important questions related to the refusal of the Germans to give up the heavy guns in the East Prussian fortresses in contradiction of the express treaty provisions. He felt, however,

16 Italian Minister for Foreign Affairs.

that the whole question of the reorganisation of the German army was one which merited very careful consideration by the Allies, and it was very important that each failure of the German Government to carry out its treaty obligations should be looked at from the point of view of its effect on the general scheme of reorganisation which was being carried out in Germany.

(The conference then adjourned until 4 p.m.)

Hôtel Crillon, Paris, January 24, 1921.

No. 2

I.C.P. 150] British Secretary's Notes of an Allied Conference held in the Salle de l'Horloge, Quai d'Orsay, Paris, on Monday, January 24, 1921, at 4 p.m.

Present: France: M. Briand (in the Chair), M. Barthou, M. Berthelot, Marshal Foch, General Weygand; secretaries, M. Massigli (Secretary-General), M. Chastenet.

British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister; The Rt. Hon. The Earl Curzon of Kedleston, K.G., &c., Secretary of State for Foreign Affairs; SECRETARIES, Sir Maurice Hankey, Mr. St. Quintin Hill.

Belgium: M. Jaspar, Colonel Theunis; secretaries, Viscount Davignon, Viscount Terlinden.

Italy: Count Sforza, Count Borin [Bonin] Longare, Marquis della Torretta; SECRETARIES, Signor Galli, Count Vannutelli-Rey.

Japan: Viscount Ishii; secretaries, Mr. Debuchi, Mr. Kato.

INTERPRETER: M. Camerlynck.

M. Briand proposed that the discussion should be general, and suggested that it would therefore not be necessary for the time being to require the attendance of experts.

MR. LLOYD GEORGE stated that he would like to say a few words on general principles, and that he would finish with a proposal which Lord Curzon and he had discussed and for which Lord Curzon was mainly responsible.

There was no question of not carrying out the Treaty of Versailles. This treaty was our charter, and, so far as Great Britain was concerned, she proposed to stand by it. There was no question of modifying the treaty, but we would have to interpret it rationally, having regard to conditions of the moment and making allowances for the present state of affairs. We must not give the impression of always insisting on our 'pound of flesh,' to use a well-known English expression. This would not, however, amount to giving up the bond. The question for consideration was whether Germany is really trying to avoid carrying out the treaty, either in respect of disarmament or reparation. If the conference agreed that she is attempting to do so, it would be necessary for the Allies to take stern steps, but if she were found to be trying to live up to the treaty, although under difficulties, the

Allies should make allowances for those difficulties. This has been the spirit in which Great Britain has acted so far. At Spa the British took a share, and an important share, in compelling Germany to speed up disarmament. All the Allies talked very strongly to the Germans, and made it clear that they would insist on speedy disarmament.

Since the Spa meeting enormous progress had been made in disarmament. Germany had surrendered since then 6,000 guns. According to General Bingham only a few hundred guns were left,² and, even according to General Nollet and including fortress guns, which were probably obsolete, she could only now possess a few hundred guns. Germany had therefore surrendered since the Spa Conference four or five times as many guns as she now possessed. Since the armistice she had surrendered 31,000 guns, and, so far as these weapons were concerned, she was now practically disarmed.

Since Spa Germany had further surrendered 25,000 machine guns and about 1,500,000 small arms. On the whole, it must be admitted that she had made a sincere effort to meet the Allies in regard to disarmament. Mr. Lloyd George had asked Marshal Foch what Germany could do if she intended to adopt a policy of aggression.³ France and Belgium were interested. Not only were they desirous of obtaining actual security, but also of obtaining a sense of security. What, therefore, could Germany do with 1,000 guns, when previously she possessed 31,000? It was true that she had a few odds and ends of units, such as the 'Einwohnerwehren,' the 'Orgesch,' and similar forms. These, however, were unarmed, and the machine guns which they possessed were of no use against a properly armed military force without the support of big guns. They could not oppose the French army, which had a huge equipment of big guns, and, moreover, there were the British.

Mr. Lloyd George had been alarmed by a statement which General Nollet had made when he had affirmed that Germany possessed plant and material by means of which she could turn out thousands of guns in a period not longer than two months.4 This statement had surprised him greatly. Personally, he knew something on the subject of munitions. He had been responsible for the organisation of the whole English output of munitions. It had taken him months to secure the necessary machinery for the manufacture of big guns. He was therefore very surprised to hear that Germany could manufacture these guns in so short a period, and he had made enquiries. These enquiries had convinced him that General Nollet had been misinformed. If Germany made up her mind to have a large army and to undertake aggression—in spite of the severe punishment she had received in the last war—it would take her nine months before she could begin to manufacture on the necessary scale. He was therefore not alarmed, since, if Germany began to make such preparations, the Allies would immediately detect it and would be in Germany before the first gun was manufactured. All the Allied countries would act together in this matter.

¹ For proceedings of the Conference held at Spa, July 1920, see Vol. VIII, Chap. VIII.

² See No. 1, p. 6.

³ See ibid., p. 4.

⁴ See ibid., pp. 7-8.

Still, it was true that Germany had not carried out her obligations under the treaty. She still possessed great military organisations, particularly in Bavaria and East Prussia. Smaller organisations existed elsewhere. This fact was a breach of the treaty. The excuses advanced on behalf of Germany were that in that country there had been since the armistice several revolutions, two of a Spartacist character⁵ and one of a reactionary and militarist character.6 These revolutions had been engineered by a desperate man.7 The capital of Bavaria had been taken by the Communists in a movement which had been led by arbitrary Bolsheviks. The result was that the Germans were afraid, and their fear was the same as that possessed by the French after the revolution by the extremists in 1871, when the capital was in the hands of the Communists. France had been very alarmed on that occasion, and he had been informed by a prominent Socialist that for that reason no Socialists had been elected in France for a period of fifteen years. We must allow for the effect of the revolutions in Germany on the peasant population in East Prussia and Bavaria, and we must also remember that the Bolsheviks had advanced right up to the borders of East Prussia. It was also true that there were revolutionary elements in Prussia, and these would have to be faced by the Germans if Poland succumbed to the Bolsheviks. These facts must be borne in mind in considering the position of military organisations in Germany. The rifles still retained by the Germans, although useless against an organised army supported by guns, would be very useful in fighting the Bolsheviks and the Communists. He wished, therefore, to suggest that the conference should ask their experts to meet again with the following terms of reference:-

- 1. To come to an agreement first on the facts, even on those in which discrepancies had appeared. For instance, the conference had heard of 70,000 machine guns which still existed in Germany. General Bingham, however, estimated the number still remaining in that country at 10,000.
- 2. The experts should report to the conference what further guns the Germans should be required to give up.
- 3. The experts should also make suggestions as to what organisations should be permitted to remain in existence in Germany with a view to defending the law-abiding population against Communists on the one hand and reaction on the other, should they attempt a further 'Putsch.'

After the report of the experts had been received and discussed by the conference, the Allies should say to the Germans that they could not allow these large semi-military organisations, consisting of hundreds of thousands of men, and possessing over 1,000,000 rifles, to continue in existence. They should inform the Germans that they must reduce them gradually. It might

⁵ i.e. the risings in Berlin, Jan.-March 1919 (cf. Vol. IX, No. 6, n. 3) and the revolution in Munich in April 1919.

⁶ i.e. the Kapp Putsch of March 1920, for which see Vol. IX, Chap. II.

⁷ The reference is presumably to Herr Karl Radek, Ukrainian representative in Berlin and secretary of the executive committee of the Communist International.

be necessary even to go beyond this, as the question of disarmament was bound up with that of reparations. Mr. Lloyd George was delighted to hear Marshal Foch's last statement.⁸ That statement had been of a guarded character, and he had read into it a very great deal, but he did not think he had read more into it than was intended. The statement had been to the effect that Marshal Foch did not think it necessary for the moment to make a military demonstration on the subject of disarmament. Mr. Lloyd George agreed with that view. If the Allies made a threat they must be prepared to carry it out. Failure to do so would weaken their position for the future.

A bigger difficulty would be the question of reparations, and we must consider this subject as a whole together with disarmament. We must find out whether Germany means to carry out her obligations. If she does not, we must take action. If she does, we must treat her reasonably. It was essential to meet the Germans on both these points. He did not believe in writing letters in matters of business, and he believed as little in writing notes in diplomacy. It would be fruitless to make use of the services of the Allied Ambassadors. He did not desire to deprecate the excellent work done by Ambassadors, but their work obliged them to be in continual touch with Foreign Ministers, and they were always in the position of making demands and representations, until at last people began to take their representations for granted; but it would be a different thing if the heads of the Governments, including the Foreign Ministers, met together. He would suggest that, after an exchange of notes with the German Government, there should be a meeting between the heads of the Allied Governments and the German Government, and that the meeting should discuss the two questions of reparation and disarmament. The Allies should come to a general agreement as to their policy before this meeting, and should discuss that policy with the Germans. They should not, however, draw up a document to be handed to the Germans at the meeting as a final and unalterable statement of their demands. They should be prepared to enter into discussion with the

M. Briand stated that he was very ready to listen to the statement of Mr. Lloyd George, but it should be realised how extremely serious this question of disarmament was to France. It was a question of safety and a vital one to the French. Germany was the crux of the whole problem. The question of national safety was one on which no Government could compromise, and it could only relax its vigilance if it had certain proof that no plans against its safety were being made. Personally, he was not a pessimist, and he desired to take a fair view free from all prejudice. He was not ready to resume forthwith offensive operations against the Germans, but he could not forget what had happened. We should recall what the German Government could do to France and Great Britain when it had possessed its full powers, and he personally felt obliged to maintain an attitude of reserve towards Germany, more especially when that country possessed a weak Government. Perhaps the German Government were willing to explore all the possibilities of ⁸ See No. 1, p. 8.

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disarmament, but they were a feeble Government, and we had to consider the time when Germany had obtained the maximum benefits from its present Government [?and] it would be replaced by another and different one. He understood that German capitalists were not co-operating with the present German Government, they were sulky and refused to exercise that ingenuity which undoubtedly they possessed and which they had displayed so strongly during the war. The German Government themselves might favour disarmament, and possibly there were even genuine democrats in that Government. It might be that the military organisations in Germany existed in spite of the Government, and not because of its support, but that there were plans in Germany for future military expansion was clear from proofs which the French Government had. Moreover, we had only to compare the situation after the armistice with that which existed now. After the armistice the German people were crushed and said that all was over. Since then they had made enormous progress, and in different parts of German territory there had recently been demonstrations of a private character showing the national spirit of Germany. This occurred during the celebrations of the anniversary of the Versailles Treaty of 1871, which were held all over Germany.9

M. Briand begged his Allies to consider what they would do if they stood in the position of France. Public opinion in France was very sensitive and very critical of what the Germans did. There was continual uneasiness in France in regard to Germany. Mr. Lloyd George had been of great assistance to France and in particular by means of what he did at Spa, when he used every effort to secure rapid disarmament. The Germans since the Spa Conference had been more compliant than they were before, but up to that conference they had been very unreasonable. Why had the change occurred at Spa? It was, firstly, because the Germans realised that their hope of disunion among the Allies was ill-founded, and, secondly, because the Allies had threatened to act immediately. This threat had made the Germans anxious and the anxiety of the Government and official classes spread to the people and affected German public opinion. The French Government desired that the active co-operation of the German Government and people in the matter of disarmament should be stimulated, and that the fear which the Germans had felt after the Spa Conference should again be revived.

M. Briand stated that he could not help being struck by the definiteness of some figures which had been given to the conference, and by certain information which was not so definite. For instance, Marshal Foch and General Nollet had stated that an exact figure could not be given for the number of machine guns at present existing in Germany, but that we had certain data upon which to go.¹⁰ We knew approximately the number of arms, cannons, rifles and machine guns in Germany during the war. We knew how many we had captured from the Germans approximately, and

⁹ The reference is to the celebrations on Jan. 18 of the 50th anniversary of the proclamation of the German Empire at Versailles in 1871.

¹⁰ See No. 1, pp. 5-7.

also how many had been destroyed since the armistice. We could therefore get an approximate figure for the arms at present held in Germany. General Bingham, however, had stated that he reckoned in a different way and had mentioned a figure of 45,000 machine guns which had been lost on the battlefield.¹¹ It is possible to lose much on the battlefield, but not such a large number of machine guns. The German army had not been routed, but had been allowed to conduct an orderly retreat. If the machine guns had been left behind they could not have suddenly disappeared.

The French had therefore every ground for anxiety. France was in the worst possible condition to discuss this question. Germany no doubt attempted to appear worse off than France, and it was difficult to disprove the German's [sic] statement, but France had lost 1,500,000 men, its territory had been ravaged, its productive strength enormously reduced. German disarmament was a vital question of safety to France, and complete disarmament was the minimum for which France could ask. He himself did not believe that the Germans could attack France now, but if we looked at the military organisations which still existed in Germany, [and] consider[ed] the regulations for their establishment, the military discipline which was enforced in them, and their relations with the German Government, we must admit that there was a very great number of organised men in Germany imbued with a military spirit who could be easily made to serve military ends. German military material was weak, but the necessity for extreme caution was clear from the discovery which had occurred of a number of two-barrel machine guns. These had been found accidentally in Germany, and their existence at the end of the war was a complete secret.

M. Briand, continuing, stated that both he and Mr. Lloyd George had had great experience of the manufacture of munitions of war. During the war manufacturers had claimed that they must be allowed periods of many months in which to turn out guns. Even during the crisis of Verdun¹² it took them many months to be in a position to produce the guns required. It was true that plans had to be laid down and preparations made, but when these were completed as they were to a great extent in Germany it was comparatively easy to turn out guns in large quantities. These facts could not be ignored, and it was a further reason for anxiety. He was willing to admit that precautions against Bolsheviks and Communists were necessary in Germany, but these were really matters of policy, and when he saw organisations not of a local, but of a national character, and when it could not be proved that these organisations were innocuous, he was forced to conclude that they were to be used as cadres, and as the basis for the great German army. He was aware that the time would probably come when the Allies would have to discuss with the Germans practical methods of carrying out their decisions, but they must not be found by the Germans in loose order and beaten one by one. They must go into the discussion with a firm front and the Allied

¹¹ See ibid., p. 6.

The reference is to the defence of Verdun against prolonged German attacks between Feb. and Sept. 1916.

policy must therefore be settled at this conference. Only if there were absolute proof that the Germans had no militaristic intentions would he accept the statement that their military organisations were innocuous.

M. Briand then referred once more to the unhappy situation of France arising from the war, and he desired to emphasise the fact that there were many persons in Germany who had a strong desire for revenge. In his opinion, the present conference was one which should pass resolutions providing both for safeguards against German aggression and penalties in the event of such aggression.

MR. LLOYD GEORGE replied that he did not disagree in principle with M. Briand's statements. France and Belgium were deeply interested in the question of security, and he personally would agree to any measure which was necessary to establish their security. Lord Curzon had drafted a series of resolutions which he would submit to the conference.

He desired, however, to say one word regarding the 45,000 machine guns to which allusion had been made. Many of these machine guns had been captured and were now in England, France and Belgium. They were taken in the German retreat between July and November 1918. They were not handed over at the armistice. They had been taken on a front of 50 miles. Many were broken in the course of fighting and were picked up. He himself had picked up one. Many, no doubt, had remained on the battlefield and were even now lying there. He thought it necessary to make this explanation of General Bingham's estimate in justice to the general.

Mr. Lloyd George then read to the conference the resolutions which had been drafted by Lord Curzon and which were as follows:—

- 1. The military, naval and air experts of the Allied Powers shall meet forthwith under the presidency of Marshal Foch to draw up an agreed list of the measures still remaining to be taken by Germany, in respect of disarmament, disbandment, &c., in order to carry out in their entirety the clauses of the Treaty of Versailles, and to submit proposals for the complete execution of these conditions within a definite period of time.
- 2. That these proposals shall be submitted for acceptance to the present conference and shall then be forwarded to the German Government as a record of the views of the Allied Powers.
- 3. That the heads of the German Government shall be invited to meet the heads of the Allied Governments at an early date to discuss with them and to arrive at a final decision concerning the steps to be taken for the execution of these proposals and the complete fulfilment of the Treaty of Versailles.

(The conference then adjourned for tea.)

M. Briand, in resuming the discussion, stated that he had examined the British proposals, and that as regards the first two articles he was in complete agreement with them, except for a modification of the second article, the second sentence of which should read:—

'and shall then be notified to the German Government as a record of the resolutions taken by the Allied Governments.'

As regards the third resolution suggested by Mr. Lloyd George, the French delegation would require this eliminated. In France it would be impossible to get public opinion to accept this resolution, which would amount to a withdrawal from the Spa Agreement in regard to disarmament. M. Briand could not personally hold his own as head of the French Government if he assented to this resolution.

M. Briand then referred to the Spa Protocol¹³ and read the sections of that protocol, which specifically stated that a further portion of German territory, either in the Ruhr or elsewhere, would be occupied if the terms of agreement were not loyally executed; and expressed the conviction that the threat so formulated had achieved the positive results hitherto obtained, for, if the threat of occupation had not been made on that occasion, disarmament would not have been nearly so advanced as it is now. Another reason for German compliance with the Spa Agreement was the close understanding which that agreement had showed to exist between the Allies. If to-day French public opinion had to understand that everything in regard to disarmament was to be raised and discussed once more, the country would not assent.

M. Briand explained that his refusal to accept the third resolution did not mean that when difficulties arose the Allied Governments should deny a hearing to the Germans, but the conference could not make a declaration now that they would discuss the question of disarmament with the Germans. In particular, the discussion in the French Parliament and the fact that the Spa Protocol had only been ratified by the French Parliament because of its minatory clauses made it impossible for the French Government to agree to a discussion with the Germans. He thought that in the preamble to the resolutions to be agreed on at the present conference it would be necessary to refer to the Spa Agreement, otherwise public opinion in Germany would think that the Allies were unwilling to take action to enforce the resolutions. He therefore suggested that in front of the two resolutions suggested by Mr. Lloyd George there should be a preamble in the following terms:—

'Les Alliés constatent que leur étroite union peut seule assurer la paix comme elle a assuré la victoire. Ils sont fermement résolus à n'y laisser porter aucune atteinte, bien convaincus qu'elle est la meilleure garantie des engagements pris et signés et de l'exécution du Traité de Versailles.'

A preamble such as the above would make the Germans realise that there were no differences between the Allies. It might be possible at the end of the present conference to consider what proofs the Germans should be asked to bring forward to show that their present military organisations were not of an aggressive character, but he could not accept as a priori basis of the discussion

¹³ See No. 1, n. 6.

¹⁴ Presumably of July 20, 1920. See J. O., Chambre: Débats, July 1920, pp. 2977-91.

the contention that disarmament should be the subject of negotiation with the Germans. It was not a question of exacting one's pound of flesh. The Allies were the victors and the Germans the vanquished, and it was impossible to get public opinion in France to accept any other point of view.

Count Sforza stated that for his part he was ready to accept in its entirety M. Briand's preamble. He suggested, however, that instead of the Treaty of Versailles, reference should be made to the treaties. As regards the third resolution proposed by Mr. Lloyd George, he realised fully the objections felt by the French. He had the clearest recollection of the forcefulness of the language used by the Allies to the Germans. He was sceptical then of the Germans' intentions, and he had not thought they would do half of what they had done. As regards the resolutions, his proposal was that M. Briand's preamble should be accepted, that resolution 3 should be suppressed, and that in resolution 2 the following words should be substituted after the words 'to the German Government': 'An exchange of views may then take place on certain questions which are not of a vital and essential character.'

Mr. Lloyd George expressed regret that in the discussion of the first question to come before the conference a fundamental difference of opinion had occurred. As regards the question of disarmament he had already seen two resolutions passed, and notes sent to the German Government. Suggestions had been made that something should be done, and yet nothing had been done or even attempted. The conference must make up its mind definitely as to what they were going to do, and they must let the peoples know it. On no condition could the British delegates accept the French proposals. These proposals meant that a list of infringements of the treaty would be sent to the Germans, who would be reminded of the Spa Conference, and then told that the following were the decisions of the Allies. If in the reply Bavaria sent they would not disband the 'Einwohnerwehren,' and would rather have a French army in occupation than a Communist, and if East Prussia took the same line, the Allies would then have to carry out their threats or look foolish. If they did not carry out their threats their inaction would weaken the effect of any future resolutions they might pass. As regards the Spa Agreement, conditions were at that time so serious that the Allies not only passed a resolution on the occupation of Germany, but they fully intended to carry out that resolution if necessary. Now things were quite different; the German regular army had been reduced by one half; Germany had less guns than Poland. She had destroyed 25,000 machine guns and 1,500,000 rifles. No one at the present conference seriously meant that if the Germans failed to obey the demands made on them the Allies should march into Germany; such a threat should, therefore, not be made.

He desired to refer to the condition of Europe and of the world. Business was everywhere at a complete standstill, both in Europe and America. The reason was that credit had ceased, and without credit business was impossible. Traders were not willing to go on indefinitely under the risk of war. The Governments, therefore, had to restart the machinery of peace. How could they do this if the sabres were rattling at the present conference, and

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threats were made about the occupation of the Ruhr, which is what a reference to the Spa Agreement would amount to. If resolutions such as were proposed were passed, the world would think that the conference were in earnest, especially as Marshal Foch was present both at the morning and afternoon meetings of the conference. The press would emphasise the seriousness of the situation. Although the resolutions would be published, the fact that the Allies did not mean to enforce them would not be published. He really could not accept this, and he suggested that as the conference could not agree on this subject, they should pass to a discussion of another subject.

M. Briand expressed complete agreement with Mr. Lloyd George's opinion as to the necessity for reassuring public opinion, but he differed entirely with Mr. Lloyd George's conclusions. Not to be willing to enforce the decisions, would be like brandishing a pistol which was always loaded, but never used. After the Spa Agreement the French had the means for punishing Germany, but did not use them out of respect to the wishes of the Allies. France was not a country which desired to use force, except as a last resort. If threats had not been used at Spa, the Allies would have got nothing. If the Allies failed to threaten Germany with drastic action in the event of failure to disarm, all the militarist elements in Germany would at once point to the good results arising from non-compliance with the terms of the treaty. Public opinion in France was agreed on one thing, namely, that Germany must be disarmed. He was sorry if there was any disagreement at the conference, but he had been of an opinion that on this subject all the Allies would agree. It would be impossible to go back on the Spa Agreement, and politically disastrous to the French Government, in view of the conditions under which their agreement had been passed by the French Parliament. He did not think that any harm would arise from the publication of the statement suggested by him, which only said that the Allies would proceed to act as they had done in the past. He could not agree to any modification of the Spa Agreement at the present conference on the subject of disarmament; he would be prepared to go on with the consideration of some other subject, but he would do so with regret.

M. Jaspar¹⁵ stated that the conference had now got to the heart of the difficulty, which lay in resolution 3. The question for consideration was whether the Germans should be invited to discuss, or whether they should be simply informed of decisions already taken by the Allies. A great deal of business had been transacted at Spa, and although the penalties provided by the Spa Protocol undoubtedly stimulated the Germans, he thought that the fact that there had been a meeting with the heads of the German Government, and that their explanations had been heard, had had a good effect. In any statement made to the public it would be advisable, M. Jaspar thought, to refrain from saying that the Allies had been discussing a question of their own safety. He asked Mr. Lloyd George to consider the state of public opinion in France and Belgium, and he thought that the policy of the conference should be to pass resolutions which would, in fact, give the same

15 Belgian Minister for Foreign Affairs.

practical result as those proposed by Mr. Lloyd George, without violating public opinion in France and Belgium. He therefore suggested that the following addition should be made to resolution 2:—

'The German Government shall be invited at the same time to inform the Allies at an early date what steps they have taken in order to carry out these proposals, and to conform entirely with the provisions of the Treaty of Versailles.'

The date for the German reply might then be fixed, coincident with the date of the meeting of the Reparation Commission, and if the Allies were then approached by the Germans with a statement on disarmament, they might hear that statement. The question of disarmament was extremely important for Belgium, as well as France, but the conference should avoid giving the impression in Germany that they were discussing a question of safety. He was not an alarmist and did not believe in the possibility of an invasion by Germany, but he thought it most necessary to avoid offending public opinion in Allied countries.

M. Briand stated that certain parts of the resolution put forward by Mr. Lloyd George could be accepted by the conference, such as resolution 1, which he was willing to accept at once, and resolution 2, so far as the word 'conference.' He suggested that consideration of the rest of the resolutions should be left until the following day, when it might be possible to agree a formula after hearing the experts and considering alternative drafts.

MR. LLOYD GEORGE assented to this proposal on the clear understanding that the British delegation were not agreeing on any action.

M. Briand stated that the resolution would stop exactly at the point where it had been agreed, viz., the word 'conference.'

MR. LLOYD GEORGE asked whether Marshal Foch would at once initiate the consultation between the experts, and make an immediate report to the conference.

M. BRIAND agreed.

As regards business for the following day, he suggested, and the conference agreed, that the financial situation in Austria should be discussed, and subsequently thereafter the situation in Greece and the East.

M. JASPAR asked whether Belgium should be represented at the conference when the question of Austria was discussed, since Belgium was not interested in that subject.

MR. LLOYD GEORGE stated that he would be very glad to have the assistance of Belgian credit in dealing with Austrian finance.

(The conference then broke up, after agreeing to resume discussion at 11 a.m. on the following day.)

The resolutions agreed up to the present by the conference are as follows:—

1. The military, naval and air experts of the Allied Powers shall meet forthwith under the presidency of Marshal Foch to draw up an agreed list of measures still remaining to be taken by Germany in respect of disarmament, disbandment, &c., in order to carry out in their entirety the disarmament clauses of the Treaty of Versailles, and to submit proposals for the complete execution of these conditions within a definite period of time.

2. That these proposals shall be submitted for acceptance to the present conference.

Hôtel Crillon, Paris, January 24, 1921.

No. 3

I.C.P. 151] British Secretary's Notes of an Allied Conference held in the Salle de l'Horloge, Quai d'Orsay, Paris, on Tuesday, January 25, 1921, at 11 a.m.

PRESENT: France: M. Briand (in the Chair), M. Loucheur, M. Berthelot, M. Seydoux, M. Lovave, M. de Monés, M. Bexon; secretaries, M. Massigli (Secretary-General), M. Chastenet.

British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister; The Rt. Hon. The Earl Curzon of Kedleston, K.G., &c., Secretary of State for Foreign Affairs; The Rt. Hon. Sir Laming Worthington-Evans, Bart., M.P.; Sir Eyre Crowe, Mr. H. E. Fass, Sir H. Llewellyn Smith, Sir William Goode, Colonel F. W. Gosset, Mr. Philip Kerr; SECRETARIES, Sir Maurice Hankey, Mr. St. Quintin Hill.

Belgium: M. Jaspar, Colonel Theunis; secretaries, Viscount Davignon, Viscount Terlinden.

Italy: Count Sforza, Count Borin [Bonin] Longare, Marquis della Torretta, Dr. Giannini; secretaries, Signor Galli, Count Vannutelli-Rey.

Japan: Viscount Ishii; secretaries, Mr. Saito, Mr. Tsubokami. Interpreter: M. Camerlynck.

Financial Situation in Austria

M. Briand stated that the first item for consideration was the situation in Austria. M. Seydoux¹ would speak first to start the discussion, and would give information as to what had been done so far.

M. Seypoux informed the conference that the situation in Austria was serious. During the last year the Austrian Government had been appealing for money and for help. No definite decision had been taken by the Allies, although considerable sums had been advanced for the purchase of food supplies. These advances had not resulted in any permanent alleviation; they had, in fact, been cast into an abyss, and nothing of a definite character had been done to get rid of the disorder which existed in the Austrian budget. At Spa the Allies had found that the German budget concealed a great deal of waste. The same was true of Austria, only to a greater extent.

¹ Head of the Commercial Section in the French Ministry of Foreign Affairs: M. Seydoux had been a member of the French delegation to the Spa Conference, July 5-16, 1920.

The Austrian financial position could be improved at the present moment by means of economies. As an example of the waste that had been going on in Austria for some time, M. Seydoux referred to the fact that Austria had retained nearly all the officials of the old Austro-Hungarian Empire for her railways of only 5,000 miles and possessed 90,000 officials. The French Paris-Orleans Railway had a track of 7,000 miles, which it administered with 50,000 officials. The actual traffic running on the Austrian railways had been greatly reduced, but the railways used more coal than the Paris-Lyons-Méditerranée line, which is twice as large as the Austrian railway system and carries a far greater traffic. There was disorder and confusion everywhere in the Austrian official machine, with resultant waste. The Austrian Government fully realised the situation, and desired sincerely to remedy it, but did not possess sufficient strength.

Certain plans had been prepared for the restoration of Austria, including a plan for the control of Austrian finances by the Austrian section of the Reparations Commission.² This plan had not been put into force because, although the Austrian section of the Reparations Commission possessed certain powers, the commission proper had not confirmed these powers. It was now necessary that a comprehensive plan dealing with the whole Austrian situation should be prepared. It was impossible for the system of weekly loans to Austria to be continued. There had been an arrangement by means of which Austria had borrowed money from Holland, and had purchased foodstuffs.³ These foodstuffs would be sufficient to keep her going until the 15th April, but provision would have to be made for the period between the 15th April and the 15th August. On the latter date the Austrian harvest could be utilised, and it was estimated that this harvest would support Austria until the middle of the winter at any rate. It would then be necessary to purchase more foodstuffs. Raw materials would also be required for the re-establishment of Austrian industries. The sum which would be required for all these purchases of foodstuffs and raw materials during the next year was estimated at 80,000,000 dollars. It was obvious that such a sum could not be handed over to Austria unless the Allies had full control of Austrian finance and were assured that the money would not be wasted, but would be applied to proper ends.

The present situation of Austria was that she was cut off from those countries which had formed provinces of the old Austro-Hungarian Empire, and she had been forced to obtain supplies from foreign countries, such as, for instance, South America. Commercial relations with the successor States of the Austro-Hungarian Empire should once more be renewed. The Reparation Commission therefore suggested that a conference should be held at which Austria and the successor States of the Austro-Hungarian Empire should be represented. This conference should discuss the whole financial

² See Vol. XII, No. 265 and enclosure.

³ See, e.g. The Times of Oct. 22, 1920 (p. 9), where it was recorded that 'Holland has allocated approximately £450,000 for the provision of sugar, potatoes and zinc to relieve the situation in Austria'. Cf. also Vol. XII, No. 298.

and commercial situation of Austria and the successor States, and should elaborate a plan to enable Austria to rely on her former provinces. At present the successor States would not consent to such a conference unless they could be assured that the Austrian budget would be properly examined and controlled and that Austrian finance would be reorganised. The proposal for consideration was, therefore: (1) that there should be an immediate loan to Austria of 40,000,000 dollars for a period of six months; (2) that there should be control of the Austrian finances, which should be re-established on a proper basis; (3) that there should be a conference of Austria and the successor States to consider their financial and commercial position.

Mr. LLOYD GEORGE enquired where the loan was to come from.

M. Seydoux replied that the plan prepared by the Austrian section of the Reparation Commission provided that during a period of five years there should be loaned to Austria a sum which would amount to 250,000,000 dollars. Of this, 80,000,000 dollars would be required during the first year. This large amount of money could only be supplied by the great nations of the world, i.e., the Allies and the United States. It would be possible to use banks, but the banks would do nothing unless they were assured of a definite and complete control both of the present and the future finances in Austria. If a strict control were established and real trouble were taken to help Austria on to her feet, M. Seydoux was convinced that the world would be surprised by the speed with which Austria would extricate herself from her difficulties, but first of all help must be given immediately by the Allies.

MR. LLOYD GEORGE remarked that control would not be obtained unless the Allies were willing to give money. It would be possible to approach the Austrians and ask them to allow the Allies to control their financial and administrative system. The Austrians would consent, but would at once reply that they must be financed by the Allies.

M. Seydoux replied that the two questions of financing Austria and controlling her administration went together. It would be impossible to get the money if control were not established, and at the same time control would not be permitted by the Austrians unless money were provided.

MR. LLOYD GEORGE enquired whether it was definitely certain that the Austrians would submit to control if they were supplied with money by the Allies.

M. Seydoux replied that the Austrian Government had stated that they would submit to the control of the Allies, and the Austrian Minister, who had come to Paris, had asked for it.

MR. LLOYD GEORGE agreed that there would be no difficulty about control, but the difficulty was the cash.

M. Briand stated that it was impossible to discuss at the conference the theoretical question of Austrian finances. Supposing that the Allies agreed that they would give Austria financial help, the question was, what means should be employed to secure this end? To what extent would the great banking institutions help the Allied Governments, and what guarantees and securities would they want? It was not possible to tackle the problem at the

present conference since there were no data, but he proposed that the Powers which were ready to help Austria should nominate delegates to meet and discuss the problem with a view to putting forward practical suggestions. These suggestions should be submitted to the conference.

Count Sforza said that all those present at the conference would agree on one point, namely, that it was useless for the Allies to continue lending Austria money week by week—such a course was mere waste of money. The Allies must be more far-sighted and help the Austrian Government to stand on its legs. He agreed with M. Seydoux that Austria possessed far more vitality than was apparent, and that, if given time, she would revive. The question was one of general interest, both for Austria and for all European countries, and the Allies must dispel the idea at present prevalent in Austria that those responsible for the Treaty of Saint-Germain were also responsible for the continued existence of Austria. If it were possible to dispel the illusion that the Allies were the political and economic godfathers of Austria, a great advance would be made, but what steps should the Allies take now? They were bound to help Austria, he thought.

The States neighbouring on Austria could live by means of their own resources but Austria itself was the crucial point. It might be possible to use that important organisation which had been set up by Mr. Hoover and was called the International Organisation for Relief in Central Europe. To this organisation all European countries had subscribed, except Spain. Would it not be possible for the Allies to get into touch with it and make use of the reserve of money which it still possessed and which he understood to amount to as much as £8,000,000? Of course, every precaution should be taken that this money should be expended on proper objects. It might also be possible to grant Austria a loan which would be of some assistance to her. This loan might be spread over a period of fifty or sixty years. In a few years' time Austria, he was convinced, would be rapidly recovering and the Allies would, of course, take precautions to ensure the proper payment of interest on the loan

A further point which must not be lost sight of was the psychological condition of the Austrian people, who must be made to believe that, not only the Allies, but the whole of Europe, would co-operate in helping them. In this connection he was glad to hear that the Council of Ambassadors had decided that the Military Commission in Austria should be suppressed as from the 20th February next.⁵ The existence of this commission had become a financial and political scandal.

LORD CURZON stated that the condition of Austria was both a financial and political question and it was difficult to say which was the more important. The danger was that unless help were afforded to Austria she would break up and the fragments would go to the neighbouring States. The object of the peace treaty would be frustrated and new chaos would result in Europe.

4 Mr. H. Hoover was Chairman of the American Relief Administration. The reference appears to be to the International Committee for Relief Credits; see Vol. XII, No. 140, n. 2, and No. 190.

5 Cf. Vol. XII, No. 293, § (5).

We were all desirous of avoiding such a condition of affairs and were willing to make considerable efforts to this end. The question was what should we do? The only means of helping Austria was by money. Apparently the willingness to help that country had been in inverse ratio to the amount of money actually given. Count Sforza had spoken of credits in the possession of the International Commission for Relief. If we considered the figures it would appear that some States had been ready to give and, in fact, had given very generously. Others had not contributed. The Northern European States had granted big sums for the relief of Austria. Both the Danish and the Dutch contribution had been considerable. Norway and Sweden had contributed next to nothing, but Switzerland had allowed nearly all the credit which she had promised. Great Britain had given a little more than she had promised, and of the £,10,000,000 promised by Great Britain for the relief of Central European countries, £8,500,000 had gone to Austria. Great Britain had therefore fully played her part. The United States had also found a large sum, amounting to 98 per cent. of the total promised by her. Coming to the other countries, from information placed at his disposal, which he believed to be correct, Lord Curzon stated that they had done nothing. There had been offered substantial grants by Italy, but not one lire had actually been handed over. The same applied to France. It was no use coming to this conference and discussing the question of helping Austria if the Great Powers were not willing themselves to assist, but proposed to throw on the shoulders which had already borne it the burden of helping Austria. We must first ascertain whether the Great Powers were willing to pay and then it could be decided how much they would pay.

The second proposal by M. Seydoux was, he thought, a good one. Tremendous harm had been done in Central Europe by the prosecution of an intensive warfare between Austria and her neighbouring States. He felt that this was a hopeless policy. At present each of the successor States raised every difficulty in the way of traffic with one another. Both sides were to blame. The neighbouring States were no doubt attempting to strangle Austria and she was foolish in her own policy. He hoped that M. Seydoux's idea would be acted on and that pressure would be put on the States bordering on Austria and on Austria herself to meet in conference and settle their difficulties, but this question was secondary and we must first know what the Great Powers were willing to do. He made this remark with all respect in the presence of representatives of those Powers.

COUNT SFORZA desired to observe on the question of fact that Italy had given to Austria much more than appeared on paper. After the armistice Italy was the only country which had relieved Austria. She had spent 19,000,000 lire on this object and had made considerable advances on account of all the Allies amounting to more than 100,000,000 lire. The Italians were ready to take their share of any contributions which might be made to Austria.

LORD CURZON said that Count Sforza's observations were quite accurate and he fully recognised what Italy had done to help Austria before 1920,

but the help given by Italy during that period was not the point to which he was alluding. The question was, what had been done during the present financial year 1920–21? France had also spent great sums on the relief of Austria, but this expenditure had taken place before the present financial year. Neither France nor Italy had afforded any help to Austria during the present financial year, and if allusion were to be made to expenditure during the earlier period he would be obliged to remark that in that year Great Britain had spent a sum of £4,000,000 on this object. During the present financial year the fountain of Italian generosity had dried up, he was sorry to say, and he wished to see it flow once more.

M. Briand remarked that the whole conference shared this wish. France also was ready to take part in any serious endeavour to assist Austria so far as her finances permitted her, but there should be submitted to the conference a financial plan of a sound and business-like character with definite suggestions for action. This plan could then be considered by the conference. Perhaps it would be well to invite one of the experts present to express his views.

Count Sforza stated that he was willing to co-operate in carrying out M. Briand's suggestion, and he suggested that a small committee should be appointed to consider the matter. This committee might consist of representatives of Italy, France and Great Britain.

MR. LLOYD GEORGE stated that it was no good having a new scheme. We had got beyond charity. The Allied Governments had advanced hundreds of millions of francs to Austria, but he did not think that this had done any good, it had only resulted in waste. M. Seydoux had said so himself. It had caused the retention in Austria of vast numbers of officials with extravagant ideas. The Austrian population was now only 6,500,000 people, yet the Allies had advanced some £30,000,000 or £40,000,000 to them in the last two years. This was bad business. The Austrians were naturally an industrious people, and must again become so. It might be asked how this should be achieved? The matter was rather one of business and certainly was not one for the Reparation Commission. It should be put on a business footing, and having done this the Allied Governments must be prepared to leave it alone. He was prepared to consent to the grant of credits which would enable Austria to begin once more, but these credits should not be Government credits. It was time for the financiers to come in and discuss this question of business with the Austrians. Financiers would be able to impose conditions which Governments could not, and they could see to the proper enforcement of those conditions. He would like to see the matter considered, not by the Reparation Commission, but by the Ministers of Commerce and Finance, who would be able to place the whole question on a business footing. He would prefer that M. Loucheur, 6 the president of the British Board of Trade? (who had as a matter of fact been considering this very question with a view to interesting financiers as distinct from the

- ⁶ French Minister for the Liberated Regions and Reparations.
- ⁷ Sir Robert Horne.

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Allied Governments in it), and the French [? Italian] representative should consult together as a committee to consider as a business proposition the problem of setting to work the Austrian population, which was becoming more and more a population of beggars. He agreed that the question was a difficult one, but the conference must realise that it was impossible for Great Britain to raise loans on behalf of other Governments. British credit was very good, as good as that of any European country, with the exception of Belgium, yet the British Government found it difficult to raise money for its own purposes. A loan to Austria would increase this difficulty, but if recourse was made to the bankers they would be able to make their own terms with Austria.

Vienna was a capital which had developed on a basis of a population of 53,000,000. It was now the chief town of a province of 6,500,000 people. Its population was still 2,000,000, that is to say, that out of a population of 6,500,000 people, 2,000,000 were living in a capital which was the capital of an empire of 53,000,000 people. It was obvious that Austria as at present constituted would go to pieces. No advances by the Allies could keep erect this unnatural structure, the foundations of which had been knocked away from beneath—the structure would fall into the Danube.

Count Sforza remarked that this was quite true, but the Allies were bound to try to avoid the extreme consequences of a disaster to Austria.

MR. LLOYD GEORGE replied that if money were advanced to Austria now the Allies would be advancing it next year and a system would arise of annual conferences devoted to keeping in existence an unnatural state of affairs. If Vienna became once more the financial centre of a big population that would be a different thing, but was this likely?

M. Briand assented to Mr. Lloyd George's observations, but remarked that without contemplating the position from the same point of view, i.e., from the point of view of making advances to Austria, the conference should try every means to alleviate the situation which had been created by the peace treaty. It might well be said that when the treaty was drawn up those who were engaged in the work should have realised the inevitable results of what they were doing, but the treaty was an accomplished fact and we could not allow Austria to starve. If we did so Austria would either dissolve in anarchy or would go to Germany. The former possibility was not one which any European country would welcome, and neither France nor Italy desired Austria and Germany to unite.

Count Sforza remarked that Germany did not wish for the union either. M. Briand continuing, stated that the Allies must help to restore peace in Europe and as a Frenchman he felt that it was his duty to France to assist in this restoration. He entirely agreed with what Mr. Lloyd George said as to the necessity for consulting with business men whose assistance should be invoked. He suggested that a small practical committee should be established of the Ministers of Trade, and he offered the services of M. Loucheur who was present and requested that Great Britain, Italy and Belgium would nominate representatives.

MR. LLOYD GEORGE stated that as a member of the old Peace Conference he must decline to accept responsibility for creating Austria. The fact was that in Austria an explosion had occurred and the Peace Conference had found little bits of the old Austro-Hungarian Empire scattered in various parts. One part went to Serbia, another to Czechoslovakia, another to Italy, and another was blown across the Carpathians to Roumania. The Peace Conference found that bit which is the present-day Austria remaining on the Danube. The Peace Conference did not create it any more than a person picking up the scattered limbs of a man blown up by a shell could be said to create those limbs. It was the fashion nowadays to talk as if the world had started with the Treaty of Versailles. Count Sforza had not been present at the Peace Conference. M. Loucheur and he were the only persons who had been at Versailles, and they were bound to defend their reputation in this matter.

The following resolution, put forward by Mr. Lloyd George, was then read to the conference:—

'To set up a committee composed as follows:—

'M. Loucheur for France,

'Sir Robert Horne for Great Britain,

'A representative of the Italian Government,

'to examine the means available and to advise as to the measures required in order to re-establish the economic stability of the successors of the Austro-Hungarian Empire by means of assistance to be furnished by private enterprise on a purely business footing and without further contributions by the Allied Governments.'

Mr. Lloyd George remarked that it would be impossible for the committee to come to a proper conclusion unless they considered the whole question both of Austria and of Austria's environment. It was for this reason he had suggested that the words 'successors of the Austro-Hungarian Empire,' should be included in the terms of reference to the committee.

Count Sforza doubted whether it was necessary to bring in the successor States; the conference were discussing simply the situation in Austria. They were not trying to help the successor States.

MR. LLOYD GEORGE remarked that the whole of Central Europe was interdependent. It would be impossible to help Austria without taking into consideration the existence of Austria's neighbours. The difficulty in Austria was that business had ceased to exist and the creation of business depended on the other successor States.

M. Briand remarked that a conference of States bordering on the Danube would be held in February.8

MR. LLOYD GEORGE said that this kind of conference was what was required to meet the situation.

M. Briand remarked that the proposed resolution was, he presumed, not for publication.

8 Cf. No. 12 below, minute 5.

MR. LLOYD GEORGE stated that it would be necessary to publish something, but not necessarily the terms of the resolution.

M. Briand stated that the committee would no doubt bring forward some proposal which could be published. The present resolution was for the consideration of the conference only.

MR. LLOYD GEORGE said that he would not object to the resolution being published with a reference to Austria only, provided that it were understood that the committee were entitled to consider the position of other countries near Austria.

M. LOUCHEUR proposed that the committee should meet at 3.30 p.m. that afternoon.

The terms of the resolution as finally agreed by the conference are as follows:—

'The conference resolved to set up a committee composed as follows:-

'M. Loucheur and M. Dioro for France,

'Sir Robert Horne for Great Britain (see note below),

'Dr. Giannini¹⁰ for Italy,

'to examine the means available and to advise as to the measures required in order to re-establish the economic stability of Austria, also in relation with the economic situation of the countries resulting from the Austro-Hungarian Empire by means of assistance to be furnished by private enterprise on a purely business footing and without further contributions by the Allied Governments.

'Note.—In Sir Robert Horne's absence, Sir H. Llewellyn Smith¹¹ will act for him.'

Hôtel Crillon, Paris, January 25, 1921.

- 9 French Minister of Commerce.
- 10 Signor Giannini had attended meetings of the Spa Conference as a 'coal and reparation expert'; see Vol. VIII, p. 507.
 - 11 Economic Adviser to H.M. Government.

No. 4

I.C.P. 152] British Secretary's Notes of an Allied Conference held in the Salle de l'Horloge, Quai d'Orsay, Paris, on Tuesday, January 25, 1921, at 4 p.m.

PRESENT: France: M. Briand (in the Chair), M. Berthelot, M. Laroche, M. Kammerer; SECRETARIES, M. Massigli (Secretary-General), M. Chastenet.

British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister; The Rt. Hon. The Earl Curzon of Kedleston, K.G., &c., Secretary of State for Foreign Affairs; Sir Eyre Crowe, Mr. Philip Kerr, Mr. Vansittart, Mr. Harold Nicolson; SECRETARIES, Sir Maurice Hankey, Mr. R. B. Howorth.

Italy: Count Sforza, Count Borin [Bonin] Longare, Marquis della Torretta, Signor Galli; secretaries, Count Vannutelli-Rey, Signor Garbasso.

Japan: Viscount Ishii, Mr. Koshida; secretaries, Mr. Sawadu [Sawada], Mr. Kato.

INTERPRETER: M. Camerlynck.

Situation in Greece and Turkey

M. Briand said that he thought the conference should now turn to certain general questions of foreign policy, and he suggested that a start should be made with the situation in Greece. The return of Constantine to the throne and his re-establishment there, had resulted in a situation which might, unless handled carefully, develop into a problem of great difficulty and complexity. After recalling that the Greek elections had, as was anticipated, resulted in the return of the opponents of Veniselos,² he reminded the conference of the protests made by the Allies and of the measures which the Allies had intended to adopt in the event of Constantine's resumption of the throne.³ The Greek people had taken no notice of the Allied warnings and the Allies had refused to recognise Constantine. This was the present situation. He would be glad to know whether the British Government had any very definite ideas to place before the conference.

MR. LLOYD GEORGE said that he himself would like to hear first what the representatives of the other interested Powers had to say.

M. Briand, resuming, indicated that in his view the number of possible solutions of the problem was small and conceivably it might be desirable to adopt a 'wait and see' attitude. As regards the measures which might be taken by the Allies to enforce their will upon Greece, the position did not seem to him to be materially different from that which had presented itself to the London Conference.4 It was, of course, always open to the Allies to refuse Greece any financial help, but it was not at all clear that the Allies were in a position to turn Constantine off the throne without the use of force. Public opinion in France was disposed to the view that a lapse of time might bring new factors and elements into the situation and that these, combined with financial stringency, might bring the Greek people into a more reasonable frame of mind.

The Greek question could not be dissociated from the Turkish situation if for no other reason than that the two problems were brought into contact in a very striking fashion at Smyrna. Generally speaking, the position of the Greek army in Asia Minor was that in recent military operations it had met

- ¹ King Constantine of Greece, after a period of exile in Switzerland, had returned to his country in Dec. 1920; see Vol. XII, No. 485.
- ² The reference is to the elections, held in Nov. 1920, which led to the resignation of M. Venizelos, Prime Minister of Greece since June 1917; see ibid., Nos. 428 and 437.
 - ³ See ibid., Nos. 438-93 passim, and Vol. VIII, Nos. 95-100.
- 4 i.e. the Second Conference of London, Nov. 26-Dec. 4, 1920; see Vol. VIII, Chap. XIV.



with some successes and had encountered some checks. There was reason to believe that the new leaders of the army who had succeeded the Veniselist generals did not possess the confidence of the troops to the same extent as the latter, and that a spirit of demobilisation [sic], which had accounted to some extent for the failure of the Veniselists, was threatening the Greek army with dissolution. If that army disappeared the Allies would have to face a new and very troublesome situation and they might have to consider the advisability of some drastic rearrangement of the policy which they had hitherto attempted to carry out. He would be glad to receive any suggestions from the other members of the conference, and possibly the British or Italian delegations might be in a position to submit more recent information than France possessed. He added that public opinion in France was unanimous in rejecting and distrusting the Government of Greece under King Constantine and was also disposed to press for some modification of the Treaty of Sèvres.⁵ After carefully considering the position, he himself was disposed to think that, at the present moment, the Allies had no very solid ground on which to base extreme measures.

Count Sforza said that public opinion in Italy was strongly in favour of some speedy settlement being effected in the Near East. Unhappily, the position was one which was full of difficulty and circumstances were such as to make any forecast of the immediate developments very difficult. In his view the activities of the Bolsheviks, combined with the present political, financial and economic situation in Constantinople, rendered the whole position at that place most dangerous. Public opinion in Italy would be disposed to favour some compromise, provided that the rights and claims of the Allies were not thereby prejudiced.

Count Sforza proceeded to inform the conference that recently a number of Turkish politicians from various parts of Europe had met together and had drawn up a statement of the terms on which the Nationalist Turks under Mustapha Kemal would be prepared to make peace with the Allies.⁶ In his opinion, a permanent settlement of the Turkish question could only be attained by bringing the Nationalist Turks into the arrangement. He fully recognised the difficulties of the situation, which, however, would tend to grow worse instead of better. If the Russians at Constantinople became Bolshevik,⁷ it was not improbable that the Turks at Constantinople would follow suit. In this event a new and pressing Turkish problem would arise, and he warned the conference of the Turkish proverb which said that a drowning man would grasp at anything, even a snake. In this case the snake might be the Bolsheviks.

The terms of the document handed in by Count Sforza (Appendix A)

6 See Appendix A; the meeting appears to have been held at Rome.

⁵ i.e. the Treaty of Peace with Turkey, signed at Sèvres on Aug. 10, 1920; for the text see B.F.S.P., vol. 113, pp. 652-776.

⁷ Constantinople at this time was full of White Russian refugees and of remnants of the forces of the White Russian leader, Gen. Wrangel, evacuated from the Crimea; see Vol. XII, Chap. V, e.g. Nos. 824, 829 and 831.

were then read to the conference, which was informed that the authors of the document were in touch with Mustapha Kemal and could speak for the Turkish Nationalists.

Count Sforza, resuming, said that his personal impression of this document was that it would be difficult to base any satisfactory policy upon it. At the same time the Russo-Turkish situation was so very dangerous that it might not be possible for the Allies to adopt a dilatory policy and consequently they should not give up all idea of some reconsideration of the whole position. In this connection the Turks were by temperament strongly opposed to Bolshevism. They were certainly growing frightened of Moscow's activities, and it might not be long before some opportunity presented itself of negotiating with them and obtaining a reasonable settlement.

LORD CURZON felt that the conference would agree with him as to the importance of having a correct statement of the facts of the present situation and a general appreciation of the position in Greece and Turkey which could be drawn from the facts themselves. He reminded the conference that at the time of the previous meeting in London, Constantine was still in exile. The decisions of that conference had in point of fact been taken too late to influence the decision of the Greek people. The plebiscite had been held before the views of the Allies could be communicated to the voters, and in these circumstances the threat of the Allies to withhold further resources had been futile. At the London Conference an alternative proposal had been submitted by Great Britain, but it had not been adopted. This proposal contemplated the recognition of Constantine as King subject to certain definite and stringent conditions.⁸

Constantine had now returned, and had consolidated his position in such a way that he was tolerably secure, at all events for some months. There was no prospect of his being turned out by either the Greek Parliament or the Greek people. M. Rhallys⁹ was being kept in power by King Constantine merely to satisfy the Allied Powers. The King was reserving M. Gournaris [Gounaris]¹⁰ in the background with a view to using him if and when the circumstances rendered such a course desirable. Constantine was clearly endeavouring to conciliate the Allies by continuing in Asia Minor the policy initiated and maintained by M. Veniselos. News had just come to hand that the Greek army in Asia Minor was contemplating a military operation on a large scale, and in his (Lord Curzon's) view there was no justifiable ground on which the Allies could quarrel with Constantine in respect of his activities in Asia Minor. With regard to his activities in Europe, it must be remembered that the credits obtained by the Government of M. Veniselos from the Allied Governments were very nearly exhausted, and that, under the decision of the London Conference, Constantine was unable to obtain any fresh financial help from the Allies.¹¹ The issue of paper money was also

- 8 See Vol. VIII, No. 97, Appendix 1.
- 9 Prime Minister of Greece since the resignation of M. Venizelos.
- 10 Minister of War in the government of M. Rhallys.
- 11 See Vol. VIII, No. 100, minute 6.

coming to an end. The drachma had fallen seriously, and, in consequence, trade had been prejudicially affected, and sooner or later a financial crash was inevitable. Constantine represented that he was in a position to pay the army for a month. The Greek Finance Minister was more optimistic, and thought that sufficient funds were available for three months. In any case, Constantine must, in all human probability, come to the ground in about four months' time. If this happens it might be assumed with certainty that the Greek people would not part with him, but would sympathise with, and support him. The Allies would undoubtedly incur the undying hostility of the Greeks, who would maintain that they had been ruined merely because of the Allies' detestation of their chosen ruler.

As had been truly said, the Greek and Turkish problems were very intimately connected. The Turkish Government at Constantinople was feeble in the extreme. It was discredited throughout Turkey, and was bankrupt in purse and reputation. Mustapha Kemal was the real ruler of the country outside Constantinople, and possessed much greater resources and authority than the Sultan. The object of the Allies was to clear up the whole Middle Eastern situation, and this could best be done by getting the Treaty of Sèvres ratified, and by exploring possible modifications of the provisions of the treaty with a view to seeing whether any concessions to the Turks could be made.

Lord Curzon agreed with Count Sforza that the proposals of the Turkish Nationalists were quite unacceptable, inasmuch as they involved the tearing up of the treaty and the reopening of almost every large question which the treaty purported to settle. The Allies must make up their minds to stand by the treaty in its main outlines, and to agree only to modifications in matters of detail. Clearly it was most important to get the treaty ratified, if possible, by Turks of all shades of political opinion as well as by the Greeks. It appeared to him that the opportunity now presented itself by which the Allies could lay down the conditions and exact the guarantees on which the recognition of Constantine could be allowed. At the same time, steps might be taken to bring the Turkish Nationalists into line. At a round-table conference, at which all parties were represented, it seemed not at all impossible that some compromise might be effected. For example, the Allies might agree to recognise and to support Constantine in return for his undertaking that in the case of Smyrna the symbols of sovereignty would revert to the Turks. It was quite certain that any engagements Constantine entered into would be observed by him. The Greek Government was so much in the hands of the Allies that they could not afford to play false. On the other hand, the Turks should be definitely and firmly told that the Allies could not for a moment entertain the idea of tearing up the Treaty of Sèvres, and that at the most it would be open to consider whether some modifications of detail were possible. He envisaged a conference attended by Turks from Constantinople and from Angora, by Greeks, and by representatives of the Allied Powers. His personal experience and knowledge of the East told him that it was vitally necessary to reach a settlement as speedily as possible. The

situation in Asia was going from bad to worse. Obscure negotiations were proceeding between Mustapha Kemal and the Bolsheviks, which might conceivably result in an unnatural and dangerous alliance.¹² Let the Allies, therefore, take action at once, and come to some definite decision before the end of the present conference. In conclusion, Lord Curzon suggested that the conference which he had envisaged might either be held at Constantinople or elsewhere.

M. Briand said that he understood the British point of view to be that, while it was almost impossible to lay down a clear line of policy it seemed eminently desirable to hold as soon as possible a conference at which all interested parties could be present and explore the ground with a view to arriving at some permanent settlement of the Middle Eastern problems. This proposal was one which appealed to him personally, but at the same time he was bound to mention the very real difficulties which were involved. In the first place, it was probable that no real understanding of a permanent character was possible between the Turks and the Bolsheviks. Secondly, there was the critical situation at Constantinople itself; the town was full of the remnants of the army of General Wrangel¹³ to an extent which almost made it a Russian town, and at any moment very grave and unpleasant events might occur. Thirdly, it seemed not impossible that the fighting powers of the Greeks had been exaggerated. Recent military events seemed to justify this contention.¹⁴ Was it really safe to base any policy which depended to a substantial extent on the Greek army as a fighting force? Even if preliminary difficulties of the kind mentioned could be surmounted he felt doubtful whether it would be possible to arrange for a meeting of a conference as contemplated by Lord Curzon. At the moment the Allies had no relations with the Greek Government He himself was not disposed in a matter of this kind to stand on ceremony, but clearly the invitation to the Greeks to attend the conference in itself involved recognition. Even more difficult was the case of the Turks. How would it be possible to get Mustapha Kemal to attend the conference? At the moment he was probably suffering from a swollen head, and he might be most difficult to approach. In any case, the Allies should be very careful indeed lest they should give Mustapha Kemal the impression that they were suing for peace. The position of France was one of peculiar difficulty. At the moment France was maintaining 60,000 men in Cilicia, and quite recently the French troops had sustained a check and had lost a substantial number of officers and men. 15 After the experiences of the war France was not disposed to favour military operations, especially those which involved the shedding of French blood on ground which France would have in any case to return to the Turks. The operations

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¹² A treaty of alliance between Soviet Russia and Nationalist Turkey was eventually signed in Moscow on March 16, 1921; for the text see B.F.S.P., vol. 118, pp. 990–6.

¹³ See n. 7 above.

¹⁴ On Jan. 10, 1921, the Turkish Nationalist army had driven the Greek forces back to Brussa after a fierce engagement at Inönü.

¹⁵ Cf. Vol. XIII, No. 75.

in the East added very heavy financial burdens and made the budget position one of great difficulty. The suggested conference might lead to good results, but, on the other hand, it might be wrecked by the ambitions and intrigues of the enemies of the Allies.

Mr. LLOYD GEORGE stated that in his view no unsurmountable difficulty presented itself provided Mustapha Kemal himself was anxious for peace. If, however, Mustapha Kemal did not want peace then things must go on as at present. He (Mr. Lloyd George) could not imagine that Mustapha Kemal was hostile to a peaceable solution unless indeed he was filled with the vain ambition of resurrecting the old Turkish Empire and constituting himself the first of a new line of Sultans. He most cordially agreed with M. Briand that it was imperative that the Allies should not give Mustapha Kemal any justification for thinking that they were suing for peace. He could imagine no more disastrous policy than for the Allies to open negotiations on some such basis as that which had been suggested by the Turks at Rome.¹⁶ This involved the tearing up of the treaty, and the clearing of the Greeks out of the Ægean; any such policy would have the most unfortunate consequences. Moreover, he felt that Constantinople would be a very bad place at which to hold the proposed conference. The whole atmosphere of Constantinople was bad, and this problem was one which could only be settled by the heads of Governments who could defend the policy in their respective Parliaments, and it was not right or fair to entrust the settlement to the Ambassadors or High Commissioners at Constantinople, or to ask them to assume the great responsibilities which any settlement would involve. Mustapha Kemal would quite justifiably urge that while his predecessors had been forced to crawl to Paris and humbly accept such terms as the Allies would give them at Sèvres, he, with his army at his back, had forced the Allies to come to Constantinople to negotiate with him on equal terms. The situation would be very much as if the Germans had systematically violated the Treaty of Versailles and the Allies had then agreed to go to Berlin to discuss a new treaty with them. The natural inference in both cases would be that the whole situation had changed very much to the detriment of the Allies.

Turning to the Greek situation, Mr. Lloyd George wished the Allies to emphasise the fact that they were not throwing over the Greek people. He reminded the conference that Constantine was merely an episode, who might possibly last weeks or months, or even years, but who could not in any case last for centuries, as the Greeks had done in the past and seemed likely to do in the future. The Allies did not build up their policy on Veniselos, and if they did so they blundered. The Allied policy was rather erected on the Greek people, and he implored the conference to think well before they abandoned a policy merely because Mustapha Kemal was troublesome or because in a moment of not, perhaps, unnatural enthusiasm the Greek people had chosen a ruler whom the Allies did not like. He himself was very doubtful about using any weapons against the Greeks except those of argument, and, in particular, he deprecated the imposition of financial pressure. If the

16 See n. 6 above.

Allies used the financial weapon, Constantine would undoubtedly take the opportunity of representing to the Greek people that, while he himself did not wish to give up Smyrna, France, Italy and Great Britain had starved Greece and her army and so compelled him, against his better judgment, to submit. This assuredly would mean that the Allies would incur the hatred of a great and democratic people, and in return the Allies might conceivably obtain an asset of somewhat dubious value, namely, the friendship of Mustapha Kemal. Of what use to the Allies was the friendship of the Turks? In the past Great Britain and France had on many occasions stepped in and prevented the dissolution of the Turkish Empire. When the time came the Turks seized what they thought was their opportunity and betrayed the Allies almost to the verge of ruin. It was true that the responsibility lay with the Turkish Government, but the Turkish people could not escape responsibility altogether. They were not a democratic people, and they must bear to some extent the responsibility for the sins of their Government. To exchange the friendship of Greece for the friendship of Turkey would be a mistaken policy for the Allies. In his view it was quite unnecessary to use any pressure on the Greeks other than the force of argument. The Greeks were well able to hold their own in Smyrna provided that money was ultimately forthcoming, and they were sensible enough to recognise that an arrangement which saved the face of Turkey and gave them substantial control of Smyrna would be a favourable solution to the present difficulty. While he was in favour of the conference, he felt that the Allies must decide on whether their policy at the meeting would be to give up nothing themselves and make Greece surrender the liberties of her recently-redeemed population and make other territorial sacrifices. A transaction of this character was one which he (Mr. Lloyd George) was not in the least anxious to enter into, and he urged that the Allies should try and escape from their difficulties with as clean hands as possible. It was absurd to suppose that Mustapha Kemal would be satisfied with Smyrna. What he really wanted was European Thrace, including Adrianople, the removal of financial control and power to block up the Straits. In short, Mustapha Kemal was scheming to revert to the pre-war condition of things, and for the Allies to agree to any such proposition would mean that, as regards Turkey, the war had not been an overwhelming victory, but a disgraceful defeat.

The overthrow of Turkey was a matter which particularly concerned the British Empire. From first to last Britain had expended something like £1,000,000,000, scores of thousands of lives, hundreds of thousands of casualties, and was the result to be a return to the pre-war state of things in Turkey? The Straits liable to be closed, subject races suffering the most dreadful oppression from their cruel and unreasoning taskmasters? What a wretched conclusion to a great story! If the Allies were to go into the conference they must go having made up their minds not only as to what they were going to do, but also as to what they were not going to do. Nothing approaching the terms which had been mentioned could be considered, nor, he suggested, was it possible for the Allies to contemplate selling the Greeks

to the Turks. The Allied line of policy should be settled now and at the present conference, and he entirely agreed with Lord Curzon that there was no time to lose.

M. Briand expressed the opinion that the Allied points of view were getting nearer together and were enabling the conference to contemplate the possibility of the meeting with Mustapha Kemal and the Greeks. He was entirely in agreement with Mr. Lloyd George about the question of putting pressure on the latter, and thought that every effort should be made to distinguish between the Greek rulers and the Greek people. It was not improbable that the position at Smyrna would tend to make the Greeks more reasonable. The fact that the Allies were willing to hold a conference might very well divide the extremist and moderate Nationalist Turks, and Mustapha Kemal might find himself deprived of the help of the moderates if he declined to go to the conference. In matters of this kind it was certain that the parties would come to the conference asking for much more than they would ultimately be willing to take. The position was, in this respect, similar to that of an advocate asking a court to award damages to his client on a much higher scale than the client would be satisfied to accept. M. Briand added that possibly it might be advisable to try and find out in advance whether the conference would be likely to have much success, and also what the attitude of the Greek people towards such a conference would be.

(At this point the conference adjourned for tea.)

On the resumption the following draft conclusions were read to the conference:—

- 1. That a conference be convened, to be attended by representatives of the Allied Powers, and also of the Greek and Turkish Governments, to discuss the settlement of the East.
- 2. That the basis of such a conference shall be the Treaty of Sèvres already signed by the Powers and by Turkey, subject to such modifications as may have been necessitated by the passage of events.
- 3. That the invitation to the Turkish Government shall propose as an essential condition that Mustapha Kemal or his representatives shall be included in the delegation.
- 4. That the Greek Government be invited similarly to attend.
- 5. That the question of giving recognition to King Constantine be subject to reconsideration in accordance with the guarantees that may be given by the Greek Government to the Allied Powers.

MR. LLOYD GEORGE expressed some doubt as to saying in conclusion 5 in so many words that the Allies recognised Constantine on certain conditions when, in point of fact, they were recognising him by inviting the Greek Government to the conference. It was always open to the Allies among themselves to agree the conditions on which they would be ready to recognise Constantine.

M. Briand agreed with this view, and thought that it would be a mistake

for the Allies in the circumstances not to make as much capital as possible out of Constantine's difficult position. In any case, it was very important that the Allies should not give up any good cards when playing with an expert like Constantine.

The conference accordingly agreed to omit conclusion 5.

Some discussion then took place as to the advisability of making the invitation to the Turkish Nationalists conditional on the cessation of hostilities, but it was generally agreed that, while the suggestion that hostilities should cease might well be made, both in the case of the Turkish Nationalists and the Greeks, this stipulation should not be inserted as a condition precedent to the invitation.

Place and Time of Meeting of Conference

On the suggestion of Count Sforza, it was agreed—

'That the proposed conference between the Allies and representatives of the Greek and Turkish (Constantinople and Angora) Governments should take place in London and should, if possible, begin on Monday, the 21st February.'

Invitation to Turkish Nationalists: Necessity for Secrecy

MR. LLOYD GEORGE pointed out that it was most desirable that the Allied invitation to Mustapha Kemal should reach the Government at Constantinople before it appeared in the press, and after some discussion the conference agreed—

'That a telegram in the terms of Appendix B should be sent off to Constantinople forthwith and that the press communiqué should contain no reference to the decision to invite the Turkish Nationalists to attend the conference.'

Agenda for Meeting on Wednesday, January 26, 11 a.m.

M. Berthelot¹⁷ suggested that various questions connected with Poland and Russia might profitably be discussed at the following meeting *inter alia*. He indicated various outstanding questions, such as the situation in Georgia and the Caucasus, the *de jure* recognition of the Baltic States, the possibility of a Soviet attack on Poland in the spring and the question of the future of Russian refugees at Constantinople.

MR. LLOYD GEORGE agreed that all these questions were of considerable importance, but he wished to remind the conference that the one question which public opinion in France, Great Britain, and, indeed, throughout the world, was anxiously awaiting was the question of reparation, and he ventured to suggest that a preliminary discussion on reparation might be highly desirable.

Mr. Lloyd George also mentioned that a suggestion had been made to him that possibly the conference might divide and deal with the question of reparation and Russia simultaneously at two separate meetings.

17 Secretary-General of the French Ministry of Foreign Affairs.

The conference agreed—

- 1. That the meeting at 11 a.m. on Wednesday, the 26th January, should be devoted to a preliminary discussion on the question of reparation; and
- 2. That the question of the conference dividing and holding two meetings on reparation and Russia should be further considered at to-morrow's meeting.

(The proceedings then terminated.)

Hôtel Crillon, Paris, January 26, 1921.

APPENDIX A TO No. 4

- 1. Maintien de l'indépendance et de la souveraineté de l'Empire ottoman dans ses limites sous-indiquées aussi bien que dans la ville de Constantinople et le bassin de la Marmara, de façon à écarter toutes restrictions susceptibles d'entraver son développement national.
- 2. Maintien sous la souveraineté ottomane de l'intégralité des vilayets de l'Anatolie, y compris la ville et la zone de Smyrne ainsi que les districts d'Aīntab, d'Ourfa et de Mardine.
 - 3. Retour à la Turquie de la Thrace ottomane, y compris Andrinople.
- 4. Sauvegarde des droits des minorités en conformité des principes énoncés dans les Traités de Saint-Germain, de Trianon et de Neuilly.
- 5. Institution d'un régime de liberté de navigation internationale des Détroits compatible avec l'indépendance et les droits souverains de l'Empire ottoman.
- 6. Perception par l'Administration de la Dette publique ottomane de revenus nécessaires à l'amortissement des dettes contractées avant la guerre et de celles qui seraient reconnues par le Traité de Paix, et appel aux spécialistes étrangers de ce département pour la réorganisation des finances de l'Empire, à condition de ne pas porter atteinte à la souveraineté nationale.

APPENDIX B TO No. 4

- 1. His Majesty's High Commissioner, Constantinople.
- 2. His Majesty's Minister, Athens.

Very urgent January 25, 1921

As president of the conference in Paris, I request that you will inform your British and Italian colleagues¹⁸ of the following decisions which have to-day been adopted by the Supreme Council, and that you will concert with them in bringing these decis[i]ons to the notice of the Ottoman (Greek) Government, inviting the latter to furnish an immediate reply in order that the conference may be in possession of their answer before breaking up at the end of this week.

Text of decisions adopted by the conference at Paris, the 25th January, 1921:—

- 1. That a conference of Allied representatives, as well as those of the Turkish and Greek Governments, be summoned to meet in London on the 21st February to discuss a settlement of the Western [Eastern] question.
- 2. The basis of such a conference shall be the Treaty of Sèvres, already signed
- ¹⁸ The text here printed was presumably that sent to the French representatives, although it is addressed to H.M.G. representatives.

- by the Powers and by Turkey, subject to such modifications as may have been necessitated by the passage of events.
- 3. The invitation to the Turkish Government shall propose as a condition that Mustapha Kemal or qualified representatives of the Government at Angora should be included in the Turkish delegation.
- 4. That the Greek Government be similarly invited to attend.

(End of conference decisions.)

No. 5

I.C.P. 153] British Secretary's Notes of an Allied Conference held in the Salle de l'Horloge, Quai d'Orsay, Paris, on Wednesday, January 26, 1921, at II a.m.1

PRESENT: France: M. Briand (in the Chair), M. Doumer, M. Loucheur, M. Berthelot, M. Seydoux, M. Cheysson, M. Tanneny [Tannery]; SECRETARIES, M. Massigli (Secretary-General), M. Chastenet.

> British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister; The Rt. Hon. The Earl Curzon of Kedleston, K.G., &c., Secretary of State for Foreign Affairs; The Rt. Hon. Sir Laming Worthington-Evans, Bart., M.P., The Rt. Hon. Lord D'Abernon, Sir Eyre Crowe, Sir John Bradbury, Mr. Philip Kerr, Mr. H. E. Fass, Mr. Allden; secretaries, Sir Maurice Hankey, Mr. R. B. Howorth, Mr. A. J. Sylvester.

> Belgium: M. Jaspar, Colonel Theunis, M. Delacroix; SECRETARIES, Viscount Davignon, Viscount Terlinden.

> Italy: Count Sforza, Count Borin [Bonin] Longare, Marquis Selvaggo [Salvago]-Raggi, Marquis della Torretta, Signor d'Amelio, Dr. Giannini; secretary, Signor Galli.

Japan: Viscount Ishii, Mr. Mori, Mr. Arai; secretary, Mr. Sawada. Interpreter: M. Camerlynck.

M. Briand said that he would ask M. Doumer² to make a statement in regard to reparation.

M. Doumer, in reply, said that he would first of all remind the conference that the Treaty of Versailles provided that Germany should be held financially responsible for the war, and that she should pay reparation to those countries which had suffered in regard to certain classes of damage. When he said 'certain classes of damage' he meant, in particular, not general war expenses or military charges, but damage to private property and State property of a non-military character. All this was expressly enumerated in Annex I of Part VIII of the treaty, and it was the obligation of Germany to pay. The treaty also provided for the fixation of the amount which Germany had

- A 'rather full account' of the discussions on reparations at this meeting and the one on Jan. 27 (see No. 8, minute 3) is printed in D. Lloyd George, The Truth about Reparations and War-Debts (London, 1932), pp. 34-53.
 - ² French Minister of Finance.

to pay for reparation before the 1st May, 1921.3 It was indispensable to the Allies that they should secure full execution of these particular provisions of the treaty. Payment by Germany of the total amount of reparation was very pressing, as the countries which had suffered most were in urgent need of it. He reminded the conference of the financial burden which was being carried by the Allied countries which had been victims of German aggression, really because Germany had up to the moment paid no reparation. On the method of fixation of the sum to be paid, there seemed to be little doubt; it was the sum which would represent the present cost of repairing the damages done by our late enemy. He thought that an estimate of these damages was possible. Great Britain, France, Italy and the other Allies were all able to establish with sufficient approximation the total amount of reparation damages which were due from Germany. They were able to do that now, and if they were to wait a few months longer they would not be able to reach a better approximation. The Allies had a supreme interest in the observance of these particular clauses of the Treaty of Versailles.

The financial advisers of the various Governments concerned, acting upon instructions which had been given to them, had been able to reach an agreement in regard to the fixation of the sum which was to be demanded as reparation from Germany, and also as to the proportion due to France individually and the rest of the Allies.4 First of all, they had proceeded on the basis of the various claims for damages suffered by each of the Allies. The financial advisers also took note, of course, of the information supplied by their various Governments. In order to reckon the share of France they had taken into consideration the various items under the head of damages to individuals; pensions, which, of course, they were compelled to give; family allowances, which were provided for by the treaty; and then damages caused to property in French territory. Great Britain had also taken into consideration damages sustained by her at sea and from the air. France had made her calculations on the basis of gold, and had taken the valuation of the material damage sustained on the basis of its value in 1914. France had then tried to ascertain what would be the index number to be applied in order to harmonise this 1914 valuation with the increased cost of materials and cost of living which had since taken place. If one examined the subject a little more deeply, it was easy to observe, after all, that the rise in prices was in direct ratio with the fall in the exchange value of the franc. For instance, if the value in exchange has fallen to one-third, say, of the previous value in a certain country, then it should be multiplied by 3 to find out its actual value in gold. The price of commodities had risen almost in a similar proportion, plus, of course, the addition which it was necessary to make for the rise in the cost of living in those countries whose currency had not suffered. We must not, therefore, expect, and we never did expect, that things would return to their pre-war level. It would never be possible to return, for

³ By Article 233.

⁴ For the various recommendations of the financial experts and the discussions thereon, see Vol. VIII, Nos. 23, 27, minute 5, 30 and Appendix, 31 and Appendix, 34, 35, 39-41, and 44.

instance, to the same salaries and allowances paid in 1914. At Spa it was declared that the multiplication would have to be made by 2. We should therefore have to multiply by 2 the pre-war figure. The French Government had thought that this coefficient might perhaps be brought down, and finally they thought it could be estimated at 1.70 instead of 2 in connection with the gold value. When this method was applied to the fall of the mark, this calculation could be accurately verified.

M. Doumer thought that if we took this basis of valuation the resulting figure was a very moderate one. Continuing, M. Doumer said he would now come to the question of the total figure of the German external indebtedness. The figure which he had to suggest might seem enormous, but it must be borne in mind that this was the total sum of reparation. The figure for France was estimated at 210 [110] milliard gold marks.

MR. LLOYD GEORGE interpolated: 'Is that the total claim of France?'

M. Doumer replied that that was the total of the French claims in capital. Proceeding, he said that he was convinced that this sum would not cover all the actual expenses that France would be called upon to pay under the heading of reparation, and he thought that this remark would also apply in the case of Great Britain, Italy and Belgium. He thought that France would probably have to spend as much as 120 to 130 milliard gold marks. At any rate, he was quite certain—and he had a certain amount of experience on this question, both in Parliament and in other quarters—that this figure of 110 milliards would be below what they would actually have to disburse. As he had previously said, the various Allied nations had been able to estimate the cost of pensions, allowances and damage caused to property. In the case of Italy the sum was 241 milliard gold marks, but he was quite convinced that, even assuming that Italy actually got this 241 milliards, she would still have to pay a good deal more. In addition, therefore, there would still remain a heavy burden on her budget. From all these observations, he thought that we should endeavour to arrive at a figure for reparation which would represent the maximum possible amount calculated on a moderate basis. They had, therefore, brought down the index number from 2 to 1.70. Therefore, the whole of the German debt to the Allies figured out on this basis would amount approximately to the sum of 212 milliard gold marks. M. Doumer pointed out that, of course, this figure was only provisional, but he thought that between now and the 1st May each nation could work it out more accurately. For purposes of convenience they would put the amount down as 200 milliard gold marks. What was essential was that this debt should be recognised by Germany; the treaty laid this down, and the Allied nations could not admit of anything else. There were many more war expenses which the Allies would have to bear in addition to those he had already mentioned. In 1871, France had had to disburse and to reimburse war expenses, although they were not the aggressors as Germany had been in 1914.

As he had previously said, France would have to disburse a very great deal

5 The figure in the French Secretary's notes of the meeting.

more than she was likely to receive from Germany. He was of opinion that the total figure must be settled by the conference as representing the total of the German debt to the Allies in conformity with the provisions of the treaty.

If we took this figure of the total German debt, what was the yearly amount which Germany would have to pay? Thirty years had been estimated for the reimbursement with a possible extension of time. He thought that at Boulogne this period had been considered and had been extended to fortytwo years.6 If we tried to work out what was the annuity on a capital of 200 milliard gold marks in forty years, we found that the result was 12 milliard gold marks per annum. Germany would therefore be called upon to pay 12 milliard gold marks per annum, including interest and sinking fund. The question that might be asked was, could Germany bear this burden? He was aware that the treaty had laid down that the Allies should consider Germany's capacity to pay. His conviction was that Germany could bear this burden. If Germany could not do so, he wondered how France could hold her own in the same circumstances. If Germany, which was a country with double the population of France, with her industries practically intact, could not find 12 milliard gold marks per annum, in what situation would France find herself? Of course, there was the possible risk of bankruptcy in Germany, and it may be said that Germany may be led to ruin, but if any bankruptcy was to take place, he did not think it was fair that it should be France that should incur such bankruptcy in order that Germany should escape paying this 12 milliard per annum for the war. The economic capacity of Germany was being restored, and she ought to be made to put forward the necessary endeavours in order to find the resources with which to pay her external debt. He suggested that if Germany should issue negotiable bonds to cover her external debt, which should be issued to the Allies, and if in the very first year she had to find 12 milliard gold marks for interest and sinking fund on such bonds, she might experience serious difficulties. That was natural. But there were several courses open to her. What would be the position of a private individual in such a case? Such a person had either to pay his debt or go bankrupt. What the private individual had to do was to set aside part of his capital or endeavour to undertake some sort of credit operation which would be practically equivalent. Germany could do that. She had State property to an extent which no other nation of Europe possessed. France had no State mines and no State coal-fields as Germany had; Great Britain had not either, and he was not aware that Belgium or Italy had. Germany had what were called fiscal mines. It was quite possible for her to live without these fiscal mines, and she could hand over this property to a company, or in any other form that might be evolved. Germany possessed the whole of the railway systems; France only possessed part. He was not aware that Great Britain possessed any State railways at all. If therefore Germany said that she could not pay, let her alienate part of her own State property which was not absolutely essential to her national life. There were many countries which managed to carry on without State railways. Then

6 See Vol. VIII, No. 31 and Appendix; cf. ibid., No. 30 and Appendix.

again, she had enormous forests. Germany therefore actually had the assets which she could simply set aside out of her capital in order to meet her obligations even in the first year. He was inclined to say that it was her business to do so. She had accepted the debt: she had signed the Treaty of Versailles because she had found at the time an advantage in so doing: because she did not know that she would not be otherwise confronted with worse conditions. She must now meet those obligations, and what would urge her to do so would be to impose penalties if they were not carried out. This had happened before in the case of other countries, which had to live up to their engagements. Commissions had been set up, for instance, in Turkey and in other countries, in order to collect revenue through customs and other sources. This sort of sanction was rather a painful one which it would, of course, be better to avoid; but, if such a penalty were hung over the head of Germany, she would feel it incumbent upon her to do everything she could to meet her obligations to pay what the Allies wished her to pay. When the Allies arrived, if they ever should arrive, at the point when it was necessary by force to make Germany carry out her obligations, they could, in such an eventuality, then consider what should be done. But at any rate Germany must pay and pay now, because the Allies could not wait any longer. France was practically at the end of her resources. The Allies had been paying on account of Germany ever since the armistice, and France had set aside, for purposes of reparation, 40 milliard francs. France had been obliged to build provisional dwellings for the inhabitants of the devastated regions whose homes had previously been destroyed. They were compelled to do all this for the families of those young men who had died and were now sleeping under the soil of France—1,500,000 of them. The maimed and mutilated must be paid their pensions, and these they found formidable. Thus the French annual budget was charged with a sum of 20 milliard francs for the very things which it was incumbent upon Germany to pay for. They had done this last year and they would have to do it again this year.

MR. LLOYD GEORGE interpolated: 'What does 20 milliard francs represent?'

M. Briand replied that this 20 milliard francs per annum represented the whole of the reparation in regard to the reconstruction in the devastated regions, pensions and allowances.

M. LOUCHEUR added that no allowances were now being paid; only pensions and repair of damages.

M. Doumer, continuing, said that such a heavy burden ought not to rest on the Allies—on those who had suffered and lost so many men—who had shed their blood in order to save independence. He could not possibly accept the idea that the families of those who had died should be allowed to starve. The Allies had to pay now, but it was only right that Germany should do what she was expected to do.

In conclusion, he would like to make three important suggestions.

Firstly, he suggested that they should decide that by the 1st May, 1921, within the limits established by the treaty, the Allies should draw up as

exactly as possible the total indebtedness of Germany in regard to reparations.

Secondly, that the Allies should notify Germany under what conditions, and in what manner she can pay, whether or not it would be advisable to have an immediate settlement by the issue of negotiable bonds covering external debt, with penalties provided for.

Thirdly, as regards sanctions, all he wished to say was that he had no wish to recommence war. The French had had enough of it. Ten generations [sic] of their young men had disappeared. He had only the other day explained to some of his Allied friends that wherever one went throughout their offices one always found a gap—they were either very young men or very old men. France had been bled white. Ten classes had been mobilised during the war, and they had now disappeared. Therefore, it was impossible for them to wish for another war, or even for the threat of another war. If, however, we were confronted with an economic problem, all he had to say was, try and give it an economic solution; that solution was, of course, the financial control of a country which was not able to meet her obligations. If Germany knew that certain sanctions would be imposed upon her in case of non-fulfilment, he thought that she would make the necessary endeavours in order to meet her obligations.

Mr. LLOYD GEORGE said that M. Doumer had made a very weighty, very clear and very eloquent statement. He had put before the conference some new proposals, proposals of rather a different character to those which the Allies had recently been considering and he certainly would not regard it as fair to M. Doumer, especially in view of the importance of his proposals, if he were to give an answer without first of all having a consultation with his colleagues and with the experts who advised him. He would, therefore, like to have in the first instance a full report of M. Doumer's statement, so that he might give it further consideration in the course of the afternoon, and if M. Briand and his other colleagues in the conference agreed, he would prefer not to give an answer until to-morrow. In order to enable him to consider the matter fully, however, he would like to ask M. Doumer just a few questions so as to comprehend thoroughly the character of his proposals. Mr. Lloyd George added that it was only with a view to obtaining information as to the nature of his proposals and not in any controversial sense that he wished to put these questions.

Proceeding, Mr. Lloyd George said that there was one part of M. Doumer's speech which would not require examination by the British delegation, because we were in such complete accord, and that was the moral obligation of Germany to pay damage for the terrible injury which she so wantonly inflicted, primarily upon France. He would like to emphasise that France had undoubtedly been the greatest sufferer, although Italy, Belgium and Great Britain had also suffered. That particular part of M. Doumer's speech did not require a moment's postponement to answer, because, as he had already said, he agreed with every sentiment which M. Doumer had expressed. It was only when he came to the question of ways and means of

enforcing that moral obligation upon Germany that he felt any doubt and he would, therefore, like to have a further examination.

He thought it important to make this statement, that there was absolutely no difference between the Allies as to the moral obligation of Germany to pay to the utmost limit of her capacity.

He would now come, to use a parliamentary phrase in his own country, to the question of ways and means. He would like to ask M. Doumer whether he felt confident that Germany could pay 12 milliard gold marks per annum outside her frontier—in France, in Italy, in Great Britain and in Belgium. Mr. Lloyd George said he would like to know how those 12 milliard gold marks were to be paid by Germany; obviously it was no good sending 12 milliards in paper marks. How were those 12 milliard gold marks to be transferred from Germany to France, or to Great Britain, or to Italy, or to the rest of the Allies? That was the question that perplexed him, and if M. Doumer had a scheme which would enable that to be done it would be a most invaluable contribution to the solution of our difficulties.

M. DOUMER replied that he had no scheme at the moment, because he did not expect that the Allies would impose their decisions by force, or that we intended to settle ourselves the economic life of Germany. He said that he had taken into consideration the wealth of Germany before the war, which was estimated at 400 milliard gold marks. That was her value in capital. This figure had now decreased. Through the action of the British navy she had been prevented from getting any supplies from abroad and had been obliged to live upon her own soil and draw upon her own resources. She had, however, been able to keep her pre-war wealth.

The question was, how could she pay out these 12 milliard gold marks? He was aware that she could not do this probably in the first year. At the beginning she would probably have to take a certain sum out of her capital in order to make good the interest due to the Allies—she would have to accept mortgages on her mines or on her railway systems, or by participation in business enterprises. That would be for the first year, but after that the fact was that she must produce enough in order to be able to balance her trade and the revenue which she may be drawing from abroad, so that she might be able to have in gold or in goods the necessary assets. Goods exported were equivalent to gold. Before the war Germany, as everyone knew, had a considerable trade, and he thought that British industries as well as French industries had reason to remember this. How could Germany settle this balance? He did not wish to appear to be pedantic, but the answer was, by balancing foreign trade—to balance the assets and the liabilities. Germany must adjust her affairs in such a way that the figures of her export trade were above those of her import trade; to do this she must work. It would be too easy if after letting hell loose upon the world she had nothing more to do than before the war. Germany must be able by her own work to produce enough to pay her debts and the difference must be equivalent to 12 milliard gold marks. As long as her external revenue did not bring in sufficient money she would have to find that sum from elsewhere. Up to that

time what would she do? Well, she could borrow. France could not balance her exports and imports, and she was bound to borrow and Germany must do the same. He was told that the balance of trade was improving and that Germany had now been able to reach a proper equilibrium between her exports and imports and in the very near future her productive capacity would still further be increased. Either Germany would have to pay or we, the Allies, would have to pay, and after all it was for Germany to pay her own debts.

MR. LLOYD GEORGE said that he was afraid that he did not even now quite follow what was in M. Doumer's mind. Before the war the total of Germany's export was 10 milliards of gold marks. Her imports were very nearly 11 milliards. She had to use her exports to pay for the war [?raw] material that enabled her to produce goods for export—cotton, wool, rubber, &c. and she had to get a certain amount of food from outside. If the whole of her exports were paid over to France and the rest of the Allies she would not be able to buy the raw material which would enable her to export. Germany could not pay in gold—she had not enough gold to pay one-tenth of these 12 milliard marks. Therefore, she had to pay in goods or in services; she had, however, also to pay for her raw material and for her food. The question he would like to ask M. Doumer was, where are the 12 milliard gold marks to come from? He had been on the look-out for them now for a couple of years and if he could only get someone to point them out to him he would be very glad; but they were certainly not in Germany's exports. Germany exported 10 milliards at a time when she was able to trade with Russia and Austria and Central Europe, and when that part of the world was in a position to pay.

M. Doumer pointed out that the value of 12 milliard gold marks to-day was no longer what it was before the war because the purchasing power of gold was no longer the same. If we took the figure arrived at at Spa—the figure of 2—if we divided 12 milliard by 2 we get 6 milliard, and if we took the more moderate figure of 1.70 the figure arrived at was actually 7 milliard gold marks.

The problem confronting Germany was, therefore, that of making her exports exceed her imports by 7 milliards, and it was not insoluble. A man with an annual income of £20,000 and a liability of £12,000 was obliged by the nature of things, to live on £8,000 a year. Germany was in a position to make up whatever deficit existed between her trade balance and the 7 milliards demanded by restrictions on import.

Before the war, Russia and Brazil were obliged to establish a commercial balance sufficient to enable them to pay their external debt.

When we considered Germany's position before the war, she might have been able to afford an import surplus. In those days she had imported certain things because she thought she could afford them; but there were certain commodities which she was not obliged to buy. Before the war, Germany did not import only raw materials and her necessary food stuffs, but she imported manufactured articles and other things. She might say that she was unable to pay, but nevertheless she could diminish her expenses.

He was aware of the argument, of course, in regard to the increase of wages, but this was an expense shared by us all. Everyone was aware that the cost of living and prices generally had gone up, and therefore these 12 milliards of gold marks in reality represented only half that value. In view of the fact that Germany still had a large amount of capital, with her plant and her machinery practically untouched, and 60.7 million inhabitants—that is to say, more than double the population of France even at the time France mobilised her men between the ages of 20 and 45 (France had mobilised 7,000,000 men during the war, and during this time the birth rate was very low)—he thought 12 milliards was a low figure. He quite agreed that an enquiry should be made into Germany's capacity to pay. If she did not pay, then we should have to pay ourselves—Great Britain will have to pay, France will have to pay and the rest of us. If Germany does not make the effort which we ask her to make then the Allies must make it, and he thought that we ought to give more attention to what Germany could actually pay.

MR. LLOYD GEORGE observed that certainly he had consideration for the Allies, and that it was on account of this that we were trying to find a practical scheme for securing as much of this indemnity as we could, instead of confining ourselves to proposals which would only end in disillusionment, create false hopes, and prolong the agony of Europe without securing any substantial results. He thought he understood now what were M. Doumer's proposals. M. Doumer had pointed out that the nominal value of these goods had gone up, and that 10 milliards of gold marks before the war would mean a good deal more now in export. What M. Doumer had not pointed out, however, was that the same thing applied to imports, and that the raw material which Germany had to import had also gone up in value, and that therefore the balance remained where it was—namely on the wrong side. However, as he understood M. Doumer's proposal it was this, that Germany should increase her exports to other countries, and diminish her imports from other countries; that is, she should increase her exports to France and that she should diminish the imports she buys from France. Also that the same thing should apply to Great Britain; that Great Britain should buy more goods from Germany, but that she should sell less to Germany. The same thing should apply to Belgium, and the same thing should also apply to Italy. Italy must sell fewer goods to Germany, but she must buy more from Germany. By that means we may get our 12 milliards of gold marks. He only wanted to understand what was M. Doumer's proposal in order to enable him to examine it with a better knowledge of the problem before him.

M. Doumer pointed out that France, Great Britain, Italy and Belgium were not the only customers of Germany. He was convinced that there would be a great increase in the needs of the world as time went on. After the long interruption due to the war, and to the following period which almost amounted to war, there was bound to be a considerable increase in the requirements of other countries. Unfortunately, if one looked at Central Europe, one saw a vast field of great needs still to be supplied. Therefore we must not only look at the figure from the point of view of the present state

of things. He again pointed out that if we compared the pre-war value with the present value these 12 milliards of gold marks were now only equal to 6 or 7 milliards. Mr. Lloyd George raised objection to the fact that the same thing applied in the case of imports. If the index figure 2 were applied to exports then the difference between exports and imports must also be multiplied by 2. The Allies were not the only customers of Germany. France and Great Britain would know how to defend their own industry. The whole world, however, was open to Germany and one could rely on Germany that she would be able to find customers, and whilst limiting her expenses she would be able to find the necessary balance.

MR. LLOYD GEORGE enquired how much of the 110 milliards France had assigned as material damage and how much as pensions.

M. Loucheur replied: 'Practically half.'

M. Doumer said that 54 milliards had been allocated for pensions and allowances and 57 milliards for actual damages.

(At this point, M. Loucheur handed a table to Mr. Lloyd George explaining this point in more detail.)

MR. LLOYD GEORGE said that he would be glad if, in order to give further information, M. Doumer would have prepared an estimate of Germany's exports and imports with a balance that would enable the Allies to collect 12 milliard gold marks. M. Doumer would quite understand that there was a vast difference between paying 30 milliards inside a country and paying 3 milliards outside. Each time we made a payment in America the sovereign depreciated in value and the same applied in the case of the franc. The Germans would experience exactly the same thing. He would like an estimate from M. Doumer of the sort of picture which he had in mind of this prosperous Germany with a tremendous excess of exports over imports which would enable the Allies to get these 12 milliards of gold marks.

M. Doumer undertook to produce a note embodying the information required by Mr. Lloyd George.

Business for the Afternoon Meeting

A short discussion then followed as to what questions should be placed on the agenda for the afternoon meeting, and it was ultimately decided that the question of Poland and Russia and Baltic States should be discussed at 4 p.m.

Hôtel Crillon, Paris, January 26, 1921.

I.C.P. 154] British Secretary's Notes of an Allied Conference held in the Salle de l'Horloge, Quai d'Orsay, Paris, on Wednesday, January 26, 1921, at 4 p.m.

Present: France: M. Briand (in the Chair), M. Berthelot, M. Loucheur; secretaries, M. Massigli (Secretary-General), M. Bressy.

British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister; The Rt. Hon. The Earl Curzon of Kedleston, K.G., &c., Secretary of State for Foreign Affairs; Sir Eyre Crowe, Mr. Philip Kerr, Mr. E. H. Carr; SECRETARIES, Sir Maurice Hankey, Mr. St. Quintin Hill.

Belgium: M. Jaspar, Colonel Theunis; secretaries, Viscount Davignon, Viscount Terlinden.

Italy: Count Sforza, Count Borin [Bonin] Longare, Marquis della Torretta, Signor Garbasso; secretaries, Signor Galli, Count Vannutelli-Rey.

Japan: Viscount Ishii; secretaries, Mr. Tsubokami, Mr. Kato. Interpreter: M. Camerlynck.

Recognition of the Baltic and Caucasian States

M. Briand stated that the next question on the agenda was a discussion of the position of the Baltic States, and that if the conference saw no objection that question would now be taken.

M. Berthelot said that he would make a short statement on the political situation, both in the Baltic States and in the Caucasus. The position was that Esthonia, Latvia, Lithuania and the Caucasian States of Georgia and Azerbaijan had expressed an earnest desire for de jure as well as de facto recognition. They said that such recognition was vital to them because it would result in an increase of their strength and an increase of their political status and commercial prosperity. With it they would be able to consolidate their position and face attacks from the outside. Without it they had no Ministers in the capitals of the Allied countries and no recognised boundaries. They earnestly desired to enter into full political relations with the Great Powers, and they stated that it would be the fault of those Powers if this did not take place.

The opinion had been expressed that Russia might be able to establish some central political organisation which would enable her to keep within her orbit the smaller States on her borders, and which would give them some kind of unity with Russia, but Russia was now under the brutal régime of the Bolsheviks, and no European State would welcome the re-establishment of political relations with Russia. As regards trade relations, he doubted whether their re-establishment was practicable.

The League of Nations had taken up the question of the de jure recognition

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¹ This name should read 'M. Laroche', as in the typescript text; see n. 12 below.

of the Baltic and Caucasian States.² France was, in general, favourable to such recognition, and Italy, too, had supported it and had shown very ready sympathy, but the League of Nations was not prepared to admit these States, although it had expressed sympathy with them. It had, however, admitted them to the technical organisations connected with the League, such as, for instance, that dealing with questions of health. This admission had raised new hopes, and the representatives of the smaller States had been besieging the Quai d'Orsay. Italy was still sympathetic towards their claims, and France also, although she recognised that the policy involved certain dangers.

As regards Georgia, the Bolsheviks had recognised the frontiers of that State,³ but Georgia wished for full recognition by the Allies.⁴ If she were left alone she would run the gravest risk of invasion and destruction. Recognition by the Allies was, she thought, an indispensable condition of her future existence.

Esthonia was an independent State recognised by Russia and possessing commercial and economic relations with Russia.⁵

Latvia had also been recognised by Russia.⁶ She had her own frontiers and was strong enough to maintain her existence by means of her own resources. She possessed trade relations with Russia.

Lithuania was a difficult problem. The relations between Poland and Lithuania and the question of Vilna was [sic] now before the League of Nations. He did not think that it was possible for the Allies to give the de jure recognition to Lithuania in view of the fact that the League of Nations was considering the Vilna problem. Poland would be ready, he thought, to follow the lead of the Allies in the question of de jure recognition of her neighbour States, and Finland was very favourable to the de jure recognition of the Baltic States.

As for the idea that by granting such recognition the Allies would be taking part in the dismemberment of Russia, he was of opinion that Russia would not be capable of achieving union within herself for some considerable time. It might be for centuries.

MR. LLOYD GEORGE enquired whether he was to understand that France was in favour of recognising these States.

M. Berthelot stated that this morning he had approached Lord Curzon unofficially, and Lord Curzon had seemed rather favourable towards the de jure recognition of these States, but had said that he had come to no definite conclusion. He fully realised the difficulty of granting de jure recognition to Latvia and Esthonia and at the same time withholding it from Lithuania. There were also difficulties in the case of Georgia, but the Georgians main-

- ² See Journal of the First Assembly of the League of Nations, Geneva, 1920, No. 33, Dec. 17, 1920.
- ³ For the peace treaty of May 7, 1920, between Soviet Russia and Georgia, see Vol. XII, Nos. 574 and 630.
 ⁴ See ibid., No. 608.
- ⁵ For the peace treaty of Dorpat, of Feb. 2, 1920, between Soviet Russia and Esthonia, see B.F.S.P., vol. 123, pp. 854-66.
 - 6 By the treaty of Riga of Aug. 11, 1920; see B.F.S.P., vol. 113, pp. 1094-1106.
 - ⁷ See Vol. XI, Nos. 652-82 passim; also L/N.O.J., 1921, No. 1, pp. 5-8.

tained that the withholding of de jure recognition from them prevented them from re-establishing their economic position by issuing a loan. If it was the considered opinion of Great Britain that de jure recognition should not be granted, and if the British Government had real objections to the course proposed by the French, the French Government would not insist on such recognition.

MR. LLOYD GEORGE replied that the British Government had in general no such objections, and he gathered that France was in favour of *de jure* recognition.

LORD CURZON said that he would deal with the whole question of the States under consideration.

There were two States in the Caucasus, namely, Georgia and Azerbaijan. As regards the latter, he was not acquainted with any arguments in favour of de jure recognition. Azerbaijan was a purely Bolshevik State. She had been overrun by the Bolsheviks last year. She had made no request for de jure recognition, and he did not think that any of the Allied Government[s] would favour such recognition. He therefore suggested that the case of Azerbaijan need not be considered.

Georgia was the Caucasian State with which the Allies had the closest sympathy. She was making a strong stand for her independence, which was threatened by the Bolsheviks, who had cut off her supplies of oil and other materials and were trying to draw her into their mesh.9 On the one side she was confronted by the Bolsheviks and on the other by the Turks. Her condition was very precarious. It was impossible to say whether she would be able to maintain her independence, but it was the earnest hope of the Allies, including the British Government, that she would be able to do so. He thought that it would be wiser to postpone a decision in regard to Georgia until after the conference in London, when the Allies would be in touch with Mustapha Kemal, 10 and he suggested that an immediate de jure recognition of Georgia would be in the hands of the Allies at that conference. He proposed, therefore, that the present conference should not come to a decision in regard to the de jure recognition of Georgia. Moreover, Count Sforza had, he understood, an additional reason for refraining from dealing with Georgia. He had not until entering the room been aware of this reason. It was that the Georgians themselves did not wish for a de jure recognition. They had told Count Sforza that such a recognition would be the worst service which the Allies could render to them.

As regards the Baltic States, M. Berthelot had pointed out that they were on a different footing. For instance, Lithuania was involved in a dispute with Poland which was not settled, and which had been referred to the League of Nations. He thought that the present moment was an inopportune one for the consideration of the *de jure* recognition of Lithuania.

MR. LLOYD GEORGE said that he had not gathered this from M. Berthelot's statement, and that he would like M. Berthelot to explain his views.

⁸ See Vol. XII, Nos. 548 and 550.

⁹ Cf. ibid., Nos. 647-51.

¹⁰ See No. 4, pp. 36-37.

M. Berthelot stated that he was of opinion that the question of Vilna being before the League of Nations it was not an opportune moment for the Allies to intervene. Further, the borders of Lithuania were still not fixed on three sides, and the Allies could not, he thought, take action at the present time in regard to Lithuania. They might, however, make a pronouncement to the effect that they desire to adjourn the question for the moment, but are willing to consider it when the dispute now before the League of Nations has been settled.

LORD CURZON, continuing, expressed the opinion that Latvia and Esthonia were the only States whose de jure recognition the conference need consider. If, however, the de jure recognition of these States were granted by the Allies, they would immediately demand admission to the League of Nations. They had done so recently at Geneva, and on that occasion the British representatives had not been given any previous instructions, either to oppose or favour their claim.11 The League of Nations had decided against the claim on the ground that when a nation is admitted to it, the League, in accordance with article 10 of its constitution, assumes the responsibility of preserving that nation's territorial integrity. If these two Baltic States were recognised by the Allies, they would undoubtedly be admitted to the League, and would thereby obtain guarantees of their future. For these guarantees the Great Powers would be responsible, and they might well be called on to defend these two States. M. Berthelot held the opinion that a unified Russia would not appear for many years, possibly for a century. This was not Lord Curzon's opinion; he anticipated a unified Russia at a very much earlier date than was generally expected. At the present moment Bolshevism was assuming an imperial aspect. It was indulging in imperialistic ambitions in the Caucasus. These small Baltic States with valuable ports could not, he thought, remain independent for long. If the Allies recognised Latvia and Esthonia, when they were admitted to the League of Nations they would have to guarantee the frontiers of those two States. This was a serious responsibility.

He thought that the case of all these States should be considered together, and that in all cases the Allies should wait until the League of Nations had decided the Lithuanian dispute; they should then consider at the next conference what they should do. He understood that Mr. Lloyd George did not quite agree with his views which he had put forward as his own personal opinion. The position, therefore, was as follows:—

The de jure recognition of Azerbaijan was impossible, and none of the Allies favoured it. Georgia did not apparently wish for a de jure recognition. The de jure recognition of Lithuania was impossible for the reasons given by M. Berthelot. There remained only Esthonia and Latvia, and for the reasons already given by him he would favour postponement of a decision in regard to these two States.

M. LAROCHE¹² remarked that, as regards Georgia, the Belgian repre¹¹ See n. 2 above.

¹² Assistant Director of Political Affairs in the French Ministry of Foreign Affairs.

sentative in that country had recently returned with a formal demand on behalf of Georgia for recognition.

M. Berthelot stated that the French agent in Tiflis, the representative of Georgia in Paris and M. Vandervelde¹³ all concurred in the view that Georgia was most anxious for *de jure* recognition by the Allies. As regards Armenia, she had already been given *de jure* recognition because she was a signatory of the Turkish treaty.

LORD CURZON denied that *de jure* recognition had been granted to Armenia. She had, in fact, he said, been refused recognition, although she was a signatory of the Turkish treaty.¹⁴

Count Sforza stated that the considerations advanced by Lord Curzon against the immediate recognition of the Baltic States possessed great weight, but he was bound to say that the Italian Government had already expressed officially their desire to recognise these States. If, however, it were thought at the present conference that it was desirable to delay such recognition, he was prepared to bow to the wishes of the conference. Although he wished to express an opinion favourable to the de jure recognition of the Baltic States, these States had already been recognised by the Russians, and why should the Allies wish to out-Russian the Russians?

As for Georgia, a country for which Italy had profound sympathy, and with which she desired commercial relations, the Italians desired to do everything which could help the Georgians. The expression of opinion by himself to which Lord Curzon had made reference was based on the observations of certain prominent Georgians, who had said that the *de jure* recognition of Georgia by the Allies would draw on that country the fate of Wrangel. If, however, the conference desired to recognise Georgia, they might first approach the official representatives of that country and ask them whether Georgia desired recognition. For his own part, he was quite willing to assent to it.

M. Jaspar stated that, as regards the Baltic States, the Belgian Government had practically the same opinion as Lord Curzon. They felt sympathetically towards those States, but considered that the position of all three of them should be dealt with at the same time and that a decision should be postponed. The difficulty was in the case of Georgia. If the enquiry suggested by Count Sforza had a favourable issue, the Allies could recognise that State. If, however, the Georgians did not want recognition, the Allies should not grant it. He thought, however, that the economic and commercial condition of Georgia pointed towards the desirability of recognition, and the Allies should, he thought, grant every assistance towards that recognition.

MR. LLOYD GEORGE stated that so far the conference had seemed to be generally in favour of recognition. It was agreed that in the case of Azerbaijan, however, no recognition could be given. In the case of the other States, the French and Italians agreed that de jure recognition should be

¹³ Presumably M. Émile Vandervelde, Belgian Minister of Justice. For M. Vandervelde's visit to Georgia in Sept. 1920, see Vol. VIII, pp. 807-8.

¹⁴ See Vol. VIII, No. 99, minute 1 and Appendix 1.

granted to Georgia, Latvia and Esthonia. Belgium, as well as France and Italy, was in favour of the recognition of Georgia. This put Great Britain in the position of refusing alone the recognition of those little States which needed it and which had asked for it. He felt that Great Britain could not take up this attitude against all the other Powers. The reasons for the hesitation of the British Government to recognise these States so far had been powerfully stated by Lord Curzon. As regards Georgia, this country was a great stronghold against the Turkish Nationalists and Bolsheviks. It was a barrier to the Bolshevik advance towards the south. The Georgians were an intelligent and brave population, and M. Vandervelde had stated that they were very capable and in an advanced state of civilisation. Recognition could not, however, be forced on them if they did not want it. If there was the slightest doubt as to their desire for recognition the Georgian representative in Paris should be consulted. If they wished for recognition, and the Powers agreed to it, Great Britain could not possibly stand up against such an unanimous desire.

The same was true of Latvia and Esthonia. The latter State was organised in a very capable manner. As Count Sforza had said, the Allies could not be more Russian than the Russians and could not reasonably insist on non-recognition when the Russians had granted it.

As regards Lithuania, he regretted that it would be impossible for Great Britain to assent to the recognition of this country. He felt that Lithuania had been very hardly treated. The Poles proposed to do with Vilna what d'Annunzio had done with Fiume.15 A buccaneer general had taken the town, and he possessed many sympathisers in Poland. The Poles were, in fact, trying to rush their claims. They had done this in face of the representations of the Great Powers, who had repeatedly protested against the Polish action.¹⁷ The Polish Government had maintained that they were trying their best to assert their authority over their general, but in fact their attempts had been half-hearted. If Poland were allowed to do this sort of thing other nations would follow her example, and he expected to see similar incursions in Austria. Czechoslovakia was another of the South European States that might rush Vienna, if, as seems not unlikely, the Austrian Republic dissolved. It was therefore impossible for the Allies to give their moral support to such tactics which would come from the de jure recognition of Lithuania. The Lithuanians were an intelligent, highly artistic, cultured and pleasant people. He personally wished to recognise them, but it was impossible to do so because the Poles had pilfered their property. He hoped that the conference would not dissolve without making it clear that the Allies deprecated these incursions into other countries with [? by] predatory Powers who tried to jump a claim.

He desired to state that Great Britain could not stand in the way of the unanimous wish of the conference for the *de jure* recognition of Latvia and Esthonia. The general position was, therefore, that in the case of Georgia

¹⁵ For the seizure of Fiume by Signor D'Annunzio in Sept. 1919, see Vol. IV, Chap. I.

¹⁶ For Gen. Zeligowski's occupation of Vilna, see Vol. XI, pp. 592-660 passim.

¹⁷ See ibid., e.g. Nos. 554, 560-1, 564, 566, 573.

the enquiries suggested by Count Sforza should be made of the Georgian representative in Paris. Such recognition of Azerbaijan was impossible. As regards Lithuania, he hoped that the conference would express sympathy with her claim for recognition, but say that complete recognition was awaiting the settlement of the Vilna question.

VISCOUNT ISHII¹⁸ stated that Japan was not specially opposed to the *de jure* recognition of the Baltic States, although it was true that the League of Nations had not yet adjudicated on Lithuania. Japan was entirely ready to concur in the views of the other Powers in regard to the Baltic States.

As regards Georgia, here, again, Japan was not specially interested. She was ready to concur in the views of the other Powers if there was a desire to recognise Georgia.

M. Briand stated that there was very considerable concurrence of opinion, and that the conference obviously favoured the *de jure* recognition of Latvia, Esthonia and Georgia, subject to enquiries being made of the Georgian representative in Paris in the case of the latter State.

As regards Lithuania, the French had deep sympathy for that country and were quite ready to grant recognition, but the frontiers of it were still debatable and were the subject of dispute. Recognition was therefore impossible. He desired to summarise the conclusions of the conference, which were as follows:—

As regards Esthonia, Latvia and Georgia, the conference were in complete agreement that *de jure* recognition should be granted to these States immediately, subject to confirmation in the case of Georgia by the Georgian representative in Paris and the desire for such recognition by Georgia.

As regards Lithuania, the question of de jure recognition should be postponed until the Vilna problem had been settled by the League of Nations.

As regards Azerbaijan, the conference unanimously agreed that the Allied Governments could not grant de jure recognition.

M. Briand added that the conference would reassemble the next day at 11.30 a.m. to discuss the question of disarmament and reparations and to consider the reports by the naval, military and air experts.¹⁹

Hôtel Crillon, Paris, January 26, 1921.

¹⁸ Japanese Ambassador at Paris.

¹⁹ For the telegraphic report on the foregoing meeting sent to the Foreign Office on Jan. 26, see Vol. XI, No. 687.

I.C.P. 154A] Draft British Secretary's Notes of a Meeting held in Mr. Lloyd George's Room, Hôtel Crillon, Paris, on Wednesday, January 26, 1921, at 6 p.m.¹

Present: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P. (in the Chair); Sir L. Worthington-Evans, Lord D'Abernon, Sir John Bradbury, Sir H. Llewellyn Smith, Mr. H. E. Fass; SECRETARIES, Sir Maurice Hankey, Mr. R. B. Howorth.

Belgium: M. Jaspar, M. Theunis, M. Delacroix.

MR. LLOYD GEORGE said that he felt that the position regarding reparations was not very satisfactory. The statement made that morning at the Conference by M. Doumer² was not a serious contribution made to serious people, but regard must be paid to it inasmuch as M. Doumer undoubtedly represented the point of view of the average Frenchman. Moreover, many people in England took much the same point of view. It was accordingly essential that public opinion should be informed of the other side of the case in such a way that it could appreciate the fallacies and inconsistencies underlying M. Doumer's argument.

He, Mr. Lloyd George, had spent two hours with MM. Briand and Loucheur that afternoon and had found that while they were disposed to talk politics and generalities no doubt because they had not been long enough in office really to have made themselves acquainted with the difficulties of the situation, they were aiming at the overthrow of the arrangements concluded at Boulogne and Brussels.³

As regards Boulogne, reference to the *procès-verbal* clearly showed, in his view, that M. Millerand⁴ had agreed in principle to the counter-proposal devised by Mr. Blackett and M. Avenol,⁵ subject possibly to modifications in detail if the Germans were able to convince us of the justice of certain concessions.

In his view the present discussions were leading nowhere. It was quite clear that the French Ministers had made up their minds not to agree to anything definite at the moment. They did not want to face the French

- ¹ Only a typescript draft of these notes, as here printed, has been traced.
- ² See No. 5.
- ³ i.e. (i) the proposals discussed at the First Conference of Boulogne, June 1920 (see Vol. VIII, No. 31, minutes 2 and 3 and Appendix, and No. 34, minute 1); (ii) the proposals in the first report, dated Jan. 18, 1921, of the Allied Governments' financial experts who had discussed reparation problems with German financial experts at Brussels, Dec. 16-22, 1920 (cf. Vol. X, Nos. 400-1, 403, 406-8 and 411): a French text of this report is printed in *Documents*... réparations, pp. 72-76.
- 4 At that time, French President of the Council and Minister for Foreign Affairs; since Sept. 1920, President of the French Republic.
- ⁵ Mr. B. P. Blackett, Controller of Finance at H.M. Treasury, and M. Avenol, French representative on the Permanent Committee of the Supreme Economic Council, were the financial experts concerned with the drafting of the Allied counter-proposals. For M. Millerand's views, see Vol. VIII, No. 34, minute 1, and No. 64, pp. 568, 570-2.

Chamber with any cut and dried scheme until there had been time to prepare the way.

M. Briand had represented to him that any proposal which he now agreed with the British would mean the speedy fall of his Government. On the other hand it had been pointed out to him that if the Allies came to no conclusion in Paris the Germans would take full advantage of the apparent failure of the Allies to agree and would raise their terms.

Some discussion then took place as to the probable attitude of Italy, and the Meeting was informed by Sir L. Worthington-Evans⁶ that Count Sforza would be prepared to state that Italy would formally adhere to the Boulogne Agreement, provided he received an assurance in advance that that Agreement would be modified so as to confer upon the Reparation Commission powers of cancellation as well as powers of postponement. Failing such an assurance Count Sforza would end his speech by suggesting a detailed examination of the Brussels proposals. It was pointed out that there was in fact very little difference between postponement and cancellation, and it was generally agreed that this fact should be explained to Count Sforza as soon as possible.

Some discussion then took place on various expedients which might tend to ease the political situation of French Ministers without prejudicing the Boulogne and Brussels schemes, but it was generally recognised that at the moment it would be most difficult to bring the French into line on the Brussels plan. As regards payment in kind, there were serious objections from the French point of view to the employment of the Treaty provisions regarding the supply of material and labour for the devastated regions, though it was recognised that under those provisions France could obtain the equivalent of 2 milliards of gold marks without much difficulty in material alone.

SIR LAMING WORTHINGTON-EVANS furnished the Prime Minister with some notes which he had prepared as a basis for the reply to M. Doumer (Appendix).⁷

LORD D'ABERNON⁸ informed the Meeting that M. Loucheur had told him that if the British, Italian and Belgian Delegates attempted to force the position, the French Government would dissent and probably fall.

M. Millerand and other French Ministers had on several occasions informed the Chamber that no capital sum had as yet been fixed. He, Lord D'Abernon, had put to M. Loucheur an alternative scheme for an annuity for five years of 3 milliards of gold marks per annum plus the equivalent of a 10 per cent. production of an export tax on German goods, plus possibly some other tax.⁹ This plan M. Loucheur was considering. It was clear that the French figure of 200 milliards of gold marks was absolutely absurd.

- 6 Minister without Portfolio. 7 Not attached to typescript text.
- 8 H.M. Ambassador at Berlin and Foreign Office representative at the financial experts' meeting at Brussels; see n. 3 above.
- 9 For these conversations with M. Loucheur and M. Doumer on Jan. 24 and 26, see Viscount D'Abernon, An Ambassador of Peace, vol. i (London, 1929), pp. 115-16, 118.

On the suggestion of the Prime Minister the Belgian Delegation agreed to see M. Briand on the morning of Thursday, January 27th, and it was generally felt to be undesirable to hold any meeting of the Conference itself that morning.

Mr. Lloyd George thought that the Allies should take their stand on the Boulogne Agreement unless and until the French were able to produce some better scheme.

(The proceedings then terminated.)

Hôtel Crillon, Paris, January 27, 1921.

No. 8

I.G.P. 155] British Secretary's Notes of an Allied Conference held in the Salle de l'Horloge, Quai d'Orsay, Paris, on Thursday, January 27, 1921, at 4 p.m.

Present: France: M. Briand (in the Chair), M. Doumer, M. Loucheur, M. Berthelot, M. Seydoux, M. Cheysson, M. Tanneny [Tannery], M. de Margerie; secretaries, M. Massigli (Secretary-General), M. Chastenet.

British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister; The Rt. Hon. The Earl Curzon of Kedleston, K.G., &c., Secretary of State for Foreign Affairs; The Rt. Hon. Sir Laming Worthington-Evans, Bart., M.P., The Rt. Hon. Lord D'Abernon, Sir John Bradbury, Sir Eyre Crowe, Sir H. Llewellyn Smith, Mr. Philip Kerr, Mr. Wigram, Mr. E. Allden, Mr. H. E. Fass; SECRETARIES, Sir Maurice Hankey, Mr. R. B. Howorth, Mr. A. J. Sylvester.

Belgium: M. Jaspar, Colonel Theunis, M. Delacroix; SECRETARIES, Viscount Davignon, Viscount Terlinden.

Italy: Count Sforza, Count Borin [Bonin] Longare, Marquis Selvaggo [Salvago]-Raggi, Marquis della Torretta, Dr. Giannini, Signor Ameglio [d'Amelio]; secretaries, Signor Galli, Count Vannutelli-Rey, Signor Garbasso.

Japan: Viscount Ishii, Mr. Mori, Mr. Sekiba; secretaries, Mr. Kato, Mr. Arai.

1. Situation in Greece and Turkey

M. Briand informed the conference that he had received information to the effect that the telegrams which it had been decided to send to Greece and Constantinople had been received and acted upon accordingly.¹

LORD CURZON interpolated that he had been informed that the above telegrams had been received with great relief at Constantinople.

M. Briand, continuing, said that the Turkish Government had undertaken to appoint its representatives without delay. Further, they were going to wire to Angora requesting Mustapha Kemal also to appoint delegates to

¹ For these telegrams, see No. 4, p. 37 and Appendix B.

be members of the Turkish delegation and a prompt reply had been requested.

2. Recognition of the Baltic and Caucasian States

M. Briand reminded the conference that on the previous day it had been decided that *de jure* recognition should be granted to Esthonia, Latvia and Georgia subject to confirmation in the case of Georgia by the Georgian representative in Paris and the desire for such recognition by Georgia.² A letter had now been received from the Georgian representative asking for formal recognition, and the conference agreed that such recognition should be given accordingly with the least possible delay.

3. Reparation from Germany

M. Briand said that they should now proceed to discuss the question of reparation.

Mr. Lloyd George said: 'Mr. President: I have had an opportunity, with my colleagues, of making a full examination of the statement made by M. Doumer. I have also had the privilege of examining the documents which he was good enough to send in, which contain even more detailed statistics in support of his statement. I want to say, first of all, that, if there is any difference of opinion between him and any other member of this conference, it is not in reference to merits, but to means. As to the moral obligation of Germany to pay all the damages inflicted by her wanton act of aggression, notably upon France and upon Belgium, and her obligation also to pay the whole costs of the war which she provoked, there can be no question. It is one of the elementary principles of jurisprudence in every civilised country in the world that you pay damages, and that you also pay the costs of any proceedings, for any breach of law proved against you by any tribunal. Whether that tribunal is a tribunal of war or a tribunal of peace makes no difference at all. Germany, morally, and by the principles of every civilised law, is bound to pay damages, and bound to pay costs. There can, therefore, be no difference of opinion as far as the obligation of Germany is concerned. On the other hand, it is equally true that you can only exact damages and costs from the losing party to the extent of his capacity. Those are the two principles upon which we are proceeding, and upon those two principles there is no difference of opinion. They are both acknowledged in the treaty. The obligation of Germany, and also the fact that Germany cannot pay the whole of these damages and costs, is realised and acknowledged in the Treaty of Versailles.

'As far as the British delegation is concerned, it is sometimes assumed that we are taking up a different attitude to that of France or other of our Allies. As a matter of fact, our position is identical—our conviction is identical, and

² See No. 6.

³ The greater part of this speech and of the discussion which followed are reproduced in D. Lloyd George, *The Truth about Reparations and War-Debts*, pp. 45–53.

⁴ See No. 5 for M. Doumer's statement, and No. 7 for an Anglo-Belgian discussion of it.

our interest is identical. It is our interest that Germany should pay the highest figure that can be exacted from her. France gets 52 per cent. of whatever is received from Germany by way of indemnity; Great Britain gets 22 per cent.,5 and the higher the indemnity which is paid to France the higher the indemnity that will be received by Great Britain. Therefore, our interest is exactly the same as the interest of France, or of Belgium, or of Italy, that Germany should be made to pay the highest figure which can possibly be exacted. We have always acknowledged in Great Britain that France is first in the amount of suffering; her casualties have been greater; and she has suffered more in essentials than any other country—the loss of her youth. M. Doumer, with great eloquence, yesterday referred to a fact which France can never forget, and which the world will not forget, namely, how generations of her young men have been cut down and the gaps which were apparent in every sphere of life in France. She had suffered more in the devastation of her country. I think I have seen almost the whole of those devastated areas. I spent Sunday after Sunday for months in visiting them from one end to another, and I realise, therefore, to the full what France has endured; how her country has been torn, and how it will take, not merely all the ingenuity and the resource and the courage of her great people to restore France, but how it will take years of time even with all the ingenuity they can possibly display to restore France to anything like the condition she was in before the war.

'Therefore, let it not be believed that, if we express any doubt about the figures which M. Doumer or anybody else puts forward as the amount of the indemnity which can or ought to be exacted from Germany, it is out of compassion for the people who have inflicted this great wrong so wantonly upon France—it is purely because we have doubts in our minds, after the most careful examination, not merely with our own experts, but with the experts of France, of Belgium, and of Italy, as to the possibility of exacting this sum.

'There is nothing worse than to devote your life in chasing exaggerated hopes. I have seen many individuals whose lives have been blighted by a process of that kind, and I should be sorry to see the Allied nations making that mistake—not satisfied with what they can reasonably hope to get, devoting their energies and their thought to pursuing something which is far beyond their reach. It is because I am anxious to redeem, not merely my own country, but the countries who are in a close fraternity with ours—a fraternity which has been consecrated by much suffering on the part of all of us—that I am desirous that we should abandon high hopes which are beyond realisation, and just devote ourselves to securing something which is reasonably within our reach.

'If the conference will bear with me I should like to say one additional word about the attitude of Great Britain and its financial position. M. Doumer, at the conference yesterday, and M. Briand in the conversation which I have had since with him emphasised the difficulty in making the

⁵ See Vol. VIII, No. 40 and Appendix 1.

budget meet in France. I realise that, but it must not be imagined that there are no difficulties in Great Britain. France had suffered more in casualties and in damages, but as far as the cost of the war was concerned, the expenditure of Great Britain was heavier than that incurred by any other belligerent. There were two or three reasons for that. We had to wage war outside our own country, and that is a much more expensive proceeding. We had to transport our own huge armies running into many millions, not merely to France, but to the East. We had, in addition to that, to equip and to maintain a gigantic navy. We had to add some thousands of craft to the navy we already had—to build and to adapt—and our navy cost us enormous sums of money. In addition we had to do most of the sea-carrying for all the Allies. As a matter of fact, we carried more than half the American troops to France in 1918, although I never saw recognition of that fact in any statement by President Wilson except when he stated that, out of the millions carried to France, only a few hundred had been lost, and that in a British ship! All these facts have the effect of making the expenditure of Great Britain heavier than that of any other country. As a matter of fact, we had to spend upon the war 10,000 million sterling—250 milliards of francs. It is true that our budget balances, but if our budget balances it is because, in order to do so, we imposed heavier taxation upon our people than any other country in the world has seen fit to impose upon its population up to the present. I put that in order to show that Great Britain has a deep financial interest in securing as high an indemnity as it possibly can.

'Now, what is the difficulty in exacting the total amount of our claims? It is a difficulty which is realised by all those who have been associated with the finances of these countries, more especially during the last few years. Before the war things went smoothly, and somehow or other we were able to get goods from abroad and to pay for them, and nobody asked any questions; nobody quite knew how it was done. But when the war forced us to increase enormously our purchases abroad, whilst at the same time we ceased to export abroad in order to pay for our purchases, we began to realise a fact which is a very fundamental one, although, even at the present moment there are very few who seem to understand it, and I have seen men in very high positions upon whose intelligence it does not seem to have even dawned even to this hour, that there is a great difference between paying a debt inside your own country and paying it across the frontier.

'I have said that we spent over 10,000 million sterling upon the war. As far as the expenditure in our country was concerned, we were able to raise the money by one expedient or another, but when we came to purchase in America we found the most extraordinary difficulty in financing the transaction. We had to sell practically all the securities we had in North and South America and to send gold, and in the end we had to borrow in

⁶ The reference is to a statement made by President Wilson in his sixth annual address to a joint session of the Houses of Congress on Dec. 2, 1918; see War and Peace: Presidential Messages, Addresses, and Public Papers (1917–1924) by Woodrow Wilson, ed. Ray Stannard Baker and William E. Dodd, vol. i (New York and London, 1927), pp. 308–9.

America something like 1,000 millions in order to be able to finance our purchases. If America were to insist upon that payment I do not pretend that it would not place Great Britain in very considerable difficulties. If Germany had to pay these 12 milliards of marks within her own territory. she could do it easily, but when you ask her to pay it, not in paper marks, but in gold marks, that is, in marks which have full face value outside Germany, then comes the difficulty. It is no use referring to the forests of Germany, and the railways of Germany, and the mines of Germany, and the land of Germany; you cannot transport the land of Germany or the forests of Germany over the frontier. Take the railways of Germany; I shall have something to say about that later on, but supposing you seize the railways of Germany; you would have to collect your revenue in paper marks. Every man who travelled in a German railway train would pay his fare in paper marks. All the goods that are transported on the German railways would be paid for in paper marks, and at the end of it, if you took the whole of that revenue over to France, or to England, or to Belgium, or to Italy, what good would it do you? Therefore, we have got to find out how much money Germany can pay outside her own frontier. M. Doumer said Germany can increase her exports and diminish her imports. Well, there is a limit to her diminution of imports. The vast majority of what she imports is either food or raw material, or essential machinery for her industries. If she does not get these her people will starve, or her industries will starve. Then she certainly could not pay an indemnity. If she increases her exports, where to? Her best customers, before the war, were Central Europe and Russia. It will take years before they can buy. Is Germany to increase her exports to England, or to France, or to Italy, or to Belgium? If she does she can only do so by displacing the labour of our own workmen. Is she to increase her exports to neutral markets? If she does she will do it at the expense of our own trade there.

'Now, these are questions for experts to consider. There is a margin which Germany can pay, but as I ventured to say two years ago after the election in our own country, she must pay her indemnity in such a way as not to damage the industries of Allied countries,7 and it is a very difficult problem to find a means of exacting an indemnity in a way which will not injure the industries, the essential industries, the vital industries, of France, of Great Britain, of Italy, and of Belgium. That is a business which experts have been examining with great care. We have turned on some of the ablest experts which [sic] our respective countries could choose for this purpose. They have been sitting for months closely scrutinising and examining, and at last they have come to something like an agreement as to the capacity of Germany. I am not going to defend their conclusions, but we must examine them. If we find any defects in those conclusions; if we can find out in what respect they have failed, well, let us set aside their conclusions. But, if not, let us act upon them, because time is passing. If these experts are not reliable, we must condemn their decisions upon some better grounds than any I have

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heard up to the present, and if we do, then there is a justification for setting up another collection of experts to proceed to repeat the experiment. But let us not forget it has taken these experts months, and if we cannot trust them, and we set up another group to duplicate their efforts, we shall have a few more months, and meanwhile, France wants money for her devastated regions and to enable her to make her budget balance; and Belgium and Italy are in the same position; and Great Britain also wants something. The only people who are benefiting by these delays will be the Germans. France will not benefit; Italy will not benefit; Belgium will not benefit; Great Britain will not benefit; Germany alone will have cause to rejoice if we discredit our experts and start afresh, and at the end of it (after the second group of experts had discussed the question and come to probably identical conclusions, with some slight variation, in order to show how much better men they are) somebody will come along and challenge the decisions of those experts; then we shall have another set of experts; and this will go on and on, and meanwhile Germany will go on printing paper marks, and not all the camions8 in France will be able to carry the indemnity across the frontier because the mark will be so depreciated that it will require at least one camion for a gold franc!

'Therefore, we really must come to some conclusion.

'That brings me to a question which I find very difficult to discuss, but which I think it is quite essential that we should discuss, and that is the difficulties which are presented by agreements which have been apparently arrived at, and rejected by the exercise of public opinion or otherwise, brought to bear upon Governments or by change of Governments. I say at once what I mean. I thought we had arrived, at any rate, at a tentative figure, after a good deal of discussion and negotiation, notably amongst experts, and the French, the Belgian, the Italian and ourselves had come to a conclusion as to the figure which we were going to put before the Germans as our alternative. We decided that we should, first of all, invite the Germans to make their own proposals. That is in the treaty. Under the Treaty of Versailles, the proposals were to come from them, as M. Loucheur knows, because he was concerned in the preparation of that treaty. But then we felt that it was not enough merely to reject their proposals, that it was incumbent upon us to put forward our alternative, not as the final figure, not as an ultimatum, but as our idea of the basis upon which the indemnity ought to be settled. After many months of hard work we met at Boulogne. M. Millerand, I think, was in the chair, and there we arrived at an agreement—an agreement as to the alternative proposals we were going to put forward at Spa. Since I came here I have consulted the process-verbal of that meeting, and I think the French delegation have done the same thing, and the Belgian delegation also, and I am not sure whether the Italian delegation have not also consulted their procès-verbal, at any rate, Count Sforza was there and he will correct me if I am not quite accurate in my statement. M. Millerand said he did not quite like the proposals, although he felt it was 8 i.e. 'lorries'.

essential that the Allies should be in agreement when they met the Germans, and that it would not do for some of them to put forward one proposal and for the others to put forward other proposals. He therefore agreed that this proposal, which had been agreed to by the experts, should be put forward as our alternative at Spa.9 If M. Briand, M. Doumer and M. Loucheur will just look at the procès-verbal they will see that this is a very accurate description.

'As to the form, there was a good deal to be said that it might be changed, but as to the substantial character of the proposal there is no doubt at all that there was an agreement at Boulogne, and that included the figures. This is referred to in every document as the 'Boulogne Agreement,' not as a projet. I see the experts, in their Brussels report, refer to it as the 'Boulogne Agreement.'10 It was assumed by everyone that we had agreed upon our counterproposal to the Germans. I now hear for the first time, after I have come here, that the French Government do not consider themselves bound by that agreement; that they are not under the impression that an agreement had been arrived at; and that they do not feel that this agreement represents what they can recommend to their public. This adds to the difficulties of what is intrinsically a very difficult problem. If I came to an agreement here now, and at the next conference there were a new British Prime Minister, and a new Government, I should expect them to carry out faithfully an arrangement which I had entered into as Prime Minister of Great Britain, or which Lord Curzon had entered into as Secretary of State for Foreign Affairs of Great Britain.

'My French colleagues will forgive me for putting this quite frankly, because it obviously is an obstacle in the way of a speedy settlement, and a speedy settlement is important. Within limits, a speedy settlement is more important than the best settlement—within limits, of course. The failure to settle this question is unsettling Europe. It is helping to unsettle Europe. They tell me the same thing from America. The British Ambassador from America. 11 whom I met last night, told me that America was convinced that the fact that there was no settlement of the indemnity question with Germany was having a very injurious effect upon trade, commerce and industry throughout the world. And I have no doubt about it. Germany does not know where she is; Central Europe does not know where she is; France does not know where she is; nor does any other country. Therefore, a speedy settlement is vital. If by waiting for months you could get a better one you might lose more. As a matter of fact, you are not merely injuring your own country, but you are injuring your debtor, and a debtor is a person that you ought to cherish—you ought to look after him and you ought to see that he is in a condition to pay his debts. You certainly ought not to add to his own difficulties, because if you do you will make him less capable of discharging

⁹ See Vol. VIII, No. 34; cf. No. 7 above, nn. 4 and 5.

¹⁰ See No. 7, n. 3(ii) for the 'Brussels report'. The French text of that report refers to 'le Projet de Boulogne'; the English (not printed) refers to 'the Boulogne Agreement'.

¹¹ Sir A. Geddes, H.M. Ambassador at Washington, was on leave of absence, Jan. 16-Feb. 22.

his obligations to you. Therefore, the departing from an agreement entered into, say, seven months ago, the restarting of the whole process again, might take another seven months; and there might be somebody who would say they were not bound even by that agreement after we had started to negotiate. Well, we shall never come to an end in this way. If we do not go from this conference with an agreement, the effect will be very bad—I do not like to use the word "disastrous," but it will certainly be very grave. It will effect [sic] the credit of all our countries. It will make it much less easy for us to handle Germany, because failure here to come to an agreement will be a notification to Germany that the Allies are not in accord. Germany is quite capable of taking advantage of that.

'So I think it is essential that there should be a substantial agreement before we return to our respective countries. I cannot exaggerate the effect which failure to come to an agreement would have upon Germany as well as upon our own country. I therefore trust that the French Government can see their way to accept the Boulogne Agreement as a basis for consideration. If they have any alternative proposal, I hope they will let us have it at once. It would be with very great regret that I should depart from the arrangement already made, because I know how fatal that is to negotiation, but, at any rate, I should like to hear some practical proposal. With great respect to M. Doumer, I do not think his proposal is even a debatable one. I have never heard any expert in his most sanguine moments, after giving time for the examination of the problem, express an opinion that Germany was capable of paying 12 milliards of gold marks per annum—never. And I should like M. Doumer to name any expert, who has given time and thought to the problem, who would say so. I am not criticising M. Doumer; he has only been in office for a few days.¹² He has not had time to go into the question. He has not devoted as many hours to it as others have devoted weeks. I do not blame him for that. We have all approached the problem with the same sanguine hopes as inspired his speech. But when we came up against the cold facts it left us more sober and considerably less hopeful in the matter of figures.

'There are certain things with Germany that we must insist upon, I agree. We must first of all make up our minds what Germany can pay. Having made up our minds as to what Germany can pay, we must use all the authority given by the treaty to compel her to put herself in a position to pay. She is not doing so now. Whether for political reasons, or whether for purposes of bargaining and negotiation, she is letting herself go. She is producing fantastic budgets where the revenue is only one-sixth, I think, of the expenditure; she is not making any effort to meet her liabilities; she is allowing her mark to drop and drop and making no struggle. I am not going to express an opinion as to her intentions. There are people who think she is doing this because the indemnity has not been fixed, and she thinks that it is better to come in forma pauperis to meet us. There are others who think it is because the Government is not strong enough to impose the necessary taxation; at any

12 Since Jan. 16, 1921, when M. Briand formed his administration; see No. 1, n. 2.

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rate, we ought to insist, within our powers under the Treaty of Versailles, upon her using her taxing powers in order to make her budget balance. She is not taxing her people anything like Great Britain; she is not taxing her people anything like France. We have doubled our railway fares and our goods rates. Well, there was a good deal of opposition to that, but we had to face it. We are now increasing our telephone rates. There is great opposition, but we have to face it, because we realise how important it is for the national credit that we should do our best to make our budget meet. Germany is not doing it, and it is part of the Treaty of Versailles that her taxation shall, at any rate, be as heavy as the taxation of any other country. Her alcohol is not taxed; her tobacco is not taxed; she is not telling her people to contribute; and the result is that the mark is becoming more and more worthless.

'We ought, in my judgment, before we leave, to have an agreement upon the indemnity, upon the contribution which we are going to exact from Germany. We ought to have an agreement as to the demands we are going to put forward within the treaty with Germany to compel her to make her budget a real one and not a sham one. Having done that, having come to that agreement, I think we ought to meet the Germans. I do not think it is a question of firing notes at them; I do not think it is a question of meeting their experts; it is a question of meeting the heads of their Government. When you have met the heads of their Government you ought to tell them definitely what our views are. Notably, I think it is essential that we should tell them that we are not satisfied with the efforts which they are making to raise the necessary revenue within their own country, and that it is an infringement of the Treaty of Versailles for them not to do so. It is better that we should say this to them face to face rather than we should do it by means of notes.

'I apologise for having taken all this time, but I wanted to make those general observations.'

M. Briand indicated that M. Doumer desired to reply to Mr. Lloyd George.

MR. LLOYD GEORGE thought that the conference would probably be glad to hear the views of Italy, Belgium and Japan about the Boulogne Agreement.

Count Sforza said that for his part he had been very deeply impressed with the statement of M. Doumer. The high ideals and moral aspirations underlying M. Doumer's views, and his references to the necessity for reaching some kind of substantial justice as between Germany and the Allies, had appealed particularly to him. After considering the Brussels report, ¹³ the Italian Government had definitely expressed an opinion that the report should be used as a basis for further negotiations, and he understood that, subject to modifications in detail, the report would not improbably be accepted by the German Government. The substantial success attained at Spa demonstrated the importance of getting an agreed scheme with the Germans, who would be much more likely to observe an agreement than to

13 See n. 10 above.

carry out a policy dictated to them by the Allies. In the view of Italy, Germany was really divided into the section which favoured the policy of attempting to work the Treaty of Versailles in a loyal and bonâ fide manner and the extremists who wished to overturn the treaty. The Allies were interested in supporting the Moderate Party, and by using the Brussels report as a basis and leaving to the future the preparations of a broader and more complete scheme, the support of moderate Germans would be attracted to the Allied proposals.

M. JASPAR wished to express his very deep sense of gratitude to M. Doumer for his references to the devastated regions and to the sufferings of Belgium. It was necessary, however, to recall the situation after two years of peace and to have regard to the rights of those Allied subjects who had lived during the years of war under the German yoke, and had been subjected to all sorts of oppression. He himself agreed with Mr. Lloyd George's views about the necessity for the Allies coming to an agreement among themselves as soon as possible. The Allies should, in their own interests, agree as to their objective, and it was perhaps not altogether unnatural that they might differ to some extent as to the precise mode by which that objective was to be attained. The Belgian delegation hoped that the Brussels report would have enabled the conference to reach an all-round agreement on large questions of principle. As regards the Boulogne Agreement, he would not go so far as to say that it was a formal and binding agreement in the legal sense of the term, but his view was that, for practical purposes, the policy contained in that agreement had been assented to by the delegates who attended the Boulogne Conference.

The Allies had to face a somewhat paradoxical situation. It was necessary for them to look after Germany's economic interests carefully and, at the same time, to protect their own industries and demand reparation payments. M. Doumer's scheme to increase Germany's exports would undoubtedly imperil the industries of a country like Belgium, 40 per cent. of the inhabitants of which were engaged in industry. The annuity plan contemplated at Boulogne¹⁴ had the very substantial advantage that the more prosperous Germany became, the more reparation there would be for the Allies. Undoubtedly Germany could improve her budget position, and in various ways she could substantially increase her revenue. The Allies must, however, be careful to secure themselves against a disastrous German competition with their own industries.

The Belgian view was that every effort should be made to follow the line of policy originally laid down as regards reparation. It would be extremely dangerous, at the present time, to launch out into some new and unexplored reparation scheme. Above all, the Allies must maintain a united economic front towards Germany. Secondly, he agreed with Mr. Lloyd George that the conference should, if possible, reach a decision at once, and, if agreement was reached, Germany should be brought into the discussion with a view to getting her concurrence in the arrangements. Briefly, then, the Belgian plan

14 See Vol. VIII, No. 31, Appendix,

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favoured the immediate fixation of the German total indebtedness, the laying down of the method of payment and the imposition of the various sanctions.

Marquis [sic] Ishii stated that he, too, had been deeply impressed by the remarkable speech of M. Doumer. Japan had not been represented at the Boulogne Conference, but, after perusing the documents supplied to him, and after consultation with his experts, his impression as to what had occurred at Boulogne was that some sort of an inter-Allied understanding had been reached. Whether that understanding could be called an agreement was not very material.

M. Briand said that he proposed that M. Doumer should first say a few words, and that he, M. Briand, would then reply on behalf of the French Government.

M. Doumer said that in the first place he desired to thank Mr. Lloyd George for the courteous way in which he had referred to himself, and for the very kindly references which he had made to the sufferings and losses of France. Undoubtedly these references would be most appreciated by the French people. He regretted, however, to have to say that Mr. Lloyd George's arguments had in no way shaken him or his belief in the scheme which he had been privileged to lay before the conference on the previous occasion. After emphasising the obligations imposed on Germany by the Treaty of Versailles, and referring to the critical date, the 1st May, 1921, by which the claims of the Allies had to be submitted to Germany, 15 he expressed the opinion that the Allies could settle the total indebtedness in time, and at all events whoever failed in this respect France would be sure of satisfying the requirement of the treaty.

With reference to the figures supplied to the conference, M. Doumer pointed out that he had inserted them with a view to giving the Allied representatives some idea of the vast character of Germany's indebtedness. France fully realised that if she substantiated the whole of her claim she would still have to make very considerable sacrifices. It was not essential for France to obtain the whole of her reparation payment in order to balance her budget, but she could not, and would not agree to the continuance of the present arrangement under which she was having to provide funds on Germany's account. He was quite ready to discuss the ways and means by which Germany could discharge her reparation obligations. He sincerely believed that Germany could pay the amount which he had indicated, and Mr. Lloyd George's powerful criticism had not destroyed his belief in the least. It had not been the privilege of French Ministers to enjoy the permanence in office which was the lot of Mr. Lloyd George, but they had some consolation in thinking that when after a period in opposition they returned to office they would still find Mr. Lloyd George there to meet them. Whether this was the case or not the documents would remain, and he felt bound to emphasise the justice of the claim of France to rely on the word and spirit of the treaty.

M. Briand asked leave of the conference to be allowed to state the point of

15 See No. 5, n. 3.

view of the French Government, and at the outset he wished to explain that if he thought for a moment that the conference would be unable to reach an agreement on the important question of principle, he would not hesitate to say so. Difficulties of the kind which now confronted the Allies might be compared to a man confronted by a high wall who was forced to seek for some chink through which he might proceed. He felt confident that with goodwill the Allies would pass through the present difficulty. Further, he wished to say that if at the time he assumed office he had been under the impression that there was a full and definite agreement at Boulogne he would not have disputed it. If it were actually so, it was much to be regretted, for such an agreement had no chance of becoming a contract. It was necessary to emphasise the fact that under present circumstances the document called the 'Boulogne Agreement' stood no chance of ratification so far as France was concerned. The Chamber of Deputies would not for a moment tolerate any Minister who ventured to recommend its acceptance, and he reminded the conference that on the occasion when the Chamber of Deputies had discussed the agreement the French Ministers concerned had maintained that no binding or irrevocable step had been taken, and that the French Government was left with a completely free hand in the matter. 16 French public opinion expected Germany to pay the full amount of the damages which had resulted from her action. The framers of the treaty, who were men highly skilled in statesmanship, must have been aware of the nature of the document they were preparing. They had a very good idea of the amount of damage and of the number of killed and wounded, and, in the circumstances, it was only natural that the people should impose implicit trust in the treaty, and should demand its literal enforcement. France was not unreasonable in this matter. French public opinion was always ready in the long run to bow before impossibilities, but they must be real impossibilities, and the French people could not regard impossibilities based on the complaints and grievances of the ex-enemy as realities.

Turning to the report of the Brussels meeting, M. Briand pointed out that the experts had themselves stated that the present moment was probably the most unfavourable to the Allies and the most favourable to Germany which could be selected for the fixing of the forfeit.¹⁷ The experts suggested that Germany should be asked to pay by means of annuities for a term of five years during which period the total of Germany's indebtedness should be fixed. French public opinion was intensely suspicious of the proceedings of Germany, and demanded that the Allies should enquire the extent to which Germany was dissembling in this matter. For example, her budget was a most suspicious document. Waste was going on in various directions, e.g., expenditure on propaganda. The number of officials had increased from 800,000 pre-war to 2,000,000. There was no evidence of a strenuous attempt to restore Germany's economic life. It must be remembered that what were

¹⁶ See J. O., Chambre: Débats, June 25, 1920, pp. 2428-9.

¹⁷ For a definition of 'forfait', the French word used, see Second Series, Vol. III, No. 146, Annex 1.

impossibilities to-day might be possibilities to-morrow. France demanded that the Allies should not fix the lump sum at the worst possible moment, and should not enter into a compromise when the sacrifices which the Allies might have to make to secure a compromise were so important in themselves, and might, in any case, turn out to have been made without any compensating advantage. It was perfectly clear that neither the present nor any Government could go to Parliament and ask it to ratify the proposals now before the conference. If the present French Government fell on this issue it was perfectly clear that the amount of agreement so far reached would be at an end. The situation would, therefore, have taken a turn for the worse, and the Allied attempt at a compromise would have proved abortive. The conference might undertake the reconsideration of the Boulogne Agreement, and he would make the following suggestions which might conceivably smooth the way towards a possible solution:—

Since the Boulogne Conference the Allies had agreed upon a certain procedure which had given time for that examination and reflection which all felt was necessary in dealing with this highly complex and difficult subject. By the agreement of the 11th November, 1920, 18 the experts were first to hold an enquiry, [? and] were to report to the Allied Conference at Geneva, which in turn would report to the heads of Governments. The Reparation Commission was then to fix the amount of Germany's indebtedness and the ways and means of payment, and the report of the Reparation Commission was to be remitted to the Governments. This procedure had the advantage that it gave that delay which was often very desirable, and he (M. Briand) suggested that the conference should decide to revert to the procedure laid down on the 11th November. In the meantime, the annuities suggested by the experts might be examined and placed on a proper basis. He fully believed that directly Germany announced her intention of paying, and began to pay, many of the dark clouds overhanging Europe would be dissipated. Why should not the Reparation Commission now proceed to fix the total amount of indebtedness? If it turned out that the sum so fixed was exorbitant, the position could then be readily explained to the people. At the moment, public opinion was not disposed to accept explanations. It called for a return for the sacrifices and sufferings of the war, and this meant payment of the claims in full.

M. Briand urged again that the procedure of the 11th November should be followed, and that the conference should accept the idea of annuities tiding over the first five years, the arrangements to be under the supervision and control of the Reparation Commission.

If Germany failed to restore her prosperity it could not be helped, but if, on the contrary, Germany revived in an economic sense, the Allies stood to gain by postponing the fixation of the indebtedness. France certainly would never agree to imperil her future by making what she would regard as a premature and unsatisfactory settlement at the present time.

No French Government could go before Parliament and justify the figure ¹⁸ See *Documents* . . . réparations, No. 10; cf. Vol. X, Nos. 400, 402-3, 406-8.

which, under the Boulogne Agreement, would go to France. This figure would be 65 milliards of gold marks. France had incurred very heavy debts, amounting to 25 milliards of gold marks. The residue—40 milliards of gold marks—would go very little towards meeting her vast reparation claims. The French Government could not, therefore, stand by the Boulogne figure, but he personally was prepared to devote all his energies to reaching a satisfactory settlement on the basis he had suggested, and he would particularly accept the principle of the temporary annuities and investigate further the question of a lump sum. By adopting this policy the French people would gradually get informed as to the true position, and perhaps learn the necessity for accepting a lower figure than they would contemplate at present. If, however, France makes concessions, she will desire to be given credit for having done so. Put into concrete form, M. Briand said that his proposals were:—

- 1. That the Reparation Commission should be requested to settle and publish, as soon as possible, the figure of the total German indebtedness for reparation.
- 2. The experts to continue their work of fixing the annuities and suggesting ways and means of payment.
- 3. The outstanding questions of principle to be brought up again for consideration at the meeting of the Supreme Council to be held in London on the 21st February.

MR. LLOYD GEORGE said: 'I very much regret that, if this is the only contribution which the French Government have to make to the solution of this difficulty, they had not informed us of this before we came here. I certainly should not have been present at this conference if this is the only proposal they have to put before us. We had been working out proposals for a long time, and we had agreed to certain proposals. Now we are told, but only after arriving here, that the new French Government cannot accept those proposals. The French Government regard these proposals as quite inadequate, and they have some vague scheme which they have not consented up to the present to reveal to their Allies, which will enable them to extract far more out of Germany than was ever contemplated by the Boulogne Agreement. What is that scheme? Where is the outline of it? Cannot they give us any sketch of it? Surely, it is not M. Doumer's scheme? What is it? Why should it be kept as a secret from us? We should at least be able to work on it. The only proposal which is put before us is, at the present moment, that the Brussels experts should go on working at the annuity. Was it really necessary to bring men who are very busy, who have got charge of very great affairs, all the way here to decide that the Brussels experts should proceed with their labours and find some sort of alternative plan for us? This is undoubtedly a complete refusal to carry out projects which have been tentatively agreed upon, and an acknowledgment by the conference that there is no other scheme as an alternative. Therefore, I really do not see the object of our meeting again until the French Government have had time to think out a plan which they can put as an alternative before the Allies and which we should be in a position to consider.'

M. Briand expressed great surprise at the remarks just made by Mr. Lloyd George. He felt that the result of the breaking-up of the conference without any definite conclusion having been reached on the subject of reparations would be nothing less than disastrous. He could not believe that the British Government would insist on the letter of the Boulogne Agreement. He had already expressed himself as favourable to the idea of the temporary annuities, and in private conversation with Mr. Lloyd George he had discussed the possibility of effecting improvements in the Boulogne scheme. The important question of the measures to be adopted to prevent unfair competition by Germany with the industries of Allied countries and of the possibility of imposing an export tax on German goods remained opened [sic], and the conference might well discuss them with a view to settlement. If the Allies could fix the amount of the annuities and the term of years, he was disposed to think that agreement on the other questions would follow in due course.

M. Jaspar said that he would like to define the Belgian point of view and, if possible, to find some solution which would be acceptable to both parties and would enable the conference to arrive at some conclusion. As had always been the case, he was strongly in favour of fixing an indemnity here and now. The restoration of the normal economic life of Europe was one of the most important matters which statesmen could devote attention to at the present time. Particularly, it was important to restore the economic situation in Germany as soon as possible. Let the experts be instructed to draw up a scheme on certain lines, but let the scheme be in general accordance with the policy hitherto followed by the Allies.

The best course would be for the conference to appoint a small committee which might explore the situation and endeavour to reach some solution.

MR. LLOYD GEORGE said that he felt disposed to agree with M. Jaspar. The British delegation would certainly not refuse to examine any definite proposal. He suggested that the committee should meet to-morrow, and that, if it was unable to reach any agreement, the conference itself should stand adjourned.

M. Briand said that he very willingly accepted M. Jaspar's proposal. He was most anxious to reach some result that would take into account the impossibilities of to-day but [sic]¹⁹ the possibilities of to-morrow. Ultimately, the conference agreed that the committee in question should be constituted as follows:—

Lord D'Abernon and Sir L. Worthington-Evans, representing Great Britain.

M. Doumer and M. Loucheur, representing France.

Colonel Theunis,²⁰ representing Belgium.

19 The French Secretary's notes here read: 'une solution qui combine les impossibilités de l'heure avec les possibilités de demain.'

20 Belgian Minister of Finance.

Signor Giannini, representing Italy. Mr. Mori,²¹ representing Japan.

(The proceedings then terminated.)

Hôtel Crillon, Paris, January 27, 1921.

²¹ Financial Commissioner of the Japanese Government.

No. 9

I.C.P. 155A] Reparations: Note on the Negotiations at Paris on January 28, 1921¹

In the morning a formal meeting was held at 10.30 [? 11.30] a.m. of the committee set up on the previous evening by the main conference.

At this meeting the French made proposals, the basis of which was—

The annuities in the Boulogne Agreement,² plus 15 per cent. on the value of German exports for the year.

Sir L. Worthington-Evans stated that he had no authority to accept these proposals, and that he must report the matter to the Prime Minister.

The Prime Minister rejected the proposals.

After lunch, the Prime Minister and Lord Curzon had a prolonged discussion with M. Briand, in the course of which Mr. Lloyd George laid the following entirely new proposal as a basis for discussion:—

'Have no fixed annuity, but propose an annuity equal to 25 per cent. of the exports of Germany. Arrangements to be made for Germany to pay annuity in part by the supply of such labour and material as may be required for repair of devastated regions.'

At about 4.30 p.m. M. Briand left the Prime Minister with the understanding that each should discuss the new basis with their [sic] respective experts.

From this followed a negotiation in which the Belgian representatives— M. Jaspar and Colonel Theunis—acted in the main as intermediaries.

The French representatives could not accept the new basis for the reason that they did not consider that it would provide suitable security on which they could raise a loan for immediate use.

As the result of this series of conversations, however, a fresh project was drawn up, which may be summarised as follows:—

Germany to pay-

1921 to 1926: 3 milliards of gold marks (£150,000,000), plus 12 per cent. of value of exports for the year.

1927 to 1930: 4 milliards of gold marks (£200,000,000), plus 12 per cent. 1931 to 1935: 5 milliards of gold marks (£250,000,000), plus 12 per cent.

1936 to 1963: 6 milliards of gold marks (£300,000,000), plus 12 per cent.

- ¹ Cf. No. 10.
- ² See Vol. VIII, No. 31, Appendix.

At 6 p.m. the above proposal was laid before the Prime Minister by Sir L. Worthington-Evans and Lord D'Abernon, who were accompanied by M. Jaspar and Colonel Theunis.

The proposal was not acceptable to the Prime Minister, who pointed out that it would be absolutely impossible for the Germans to pay the amounts laid down during the first two years. The result would be that within the twelve months there would have to be further Allied conferences to decide what was to be done owing to the fact that Germany had not paid.

After a somewhat prolonged discussion, the following alternative modification of the scheme was adopted as a basis for negotiation:—

1921: 2 milliards of gold marks (£100,000,000), plus 12 per cent. of the value of exports for the year.

1922: 2 milliards of gold marks (£100,000,000), plus 12 per cent.

1923 to 1925: 3 milliards of gold marks (£150,000,000), plus 12 per cent. 1926 to 1930: 4 milliards of gold marks (£200,000,000), plus 12 per cent. 1931 to 1935: 5 milliards of gold marks (£250,000,000), plus 12 per cent. 1936 to 1963: 6 milliards of gold marks (£300,000,000), plus 12 per cent.

The Prime Minister authorised Sir L. Worthington-Evans and Lord D'Abernon to state that, if the remainder of the proposals contained in the Brussels Report in regard to the reduction of the cost of the armies of occupation, &c., were adopted, the British Government would be disposed to agree to the above proposals.

They were further authorised, if absolutely necessary, to agree to raise the sum for 1922 to $2\frac{1}{2}$ milliards of gold marks (f, 125,000,000 sterling).

The following procedure was also contemplated:—

- (a) That the Allied expert committee should draw up a document on the above lines if an agreement were reached during the night and sign it.
- (b) That the main conference should meet on the following morning to give its approval, and that it should become a reparations agreement.
- (c) That the Brussels experts should then continue to complete their work.
- (d) That the subsequent Conference of Finance Ministers, which was to have taken place at Geneva,³ should be transferred to London.
- (e) That their report should come before the heads of the Governments, including the heads of the German Government, at the London Conference, already arranged to commence on the 21st February.

At 6.45 p.m. Sir L. Worthington-Evans, Lord D'Abernon, with M. Jaspar and Colonel Theunis, left the Hôtel Crillon to resume the negotiations with the French experts.

At 7.45 p.m. M. Loucheur called to see Mr. Lloyd George, and stated that the French Government would accept the new scheme, subject to the period during which 4 milliard gold marks and 5 milliard gold marks were to be paid being cut down each from five years to three years. The reason for this re-

- 3 In accordance with the agreement of Nov. 11, 1920; cf. No. 8, n. 18.
- 4 For this Conference, see Chap. II below.

quest was that under the present scheme the maximum of 6 milliards was reached later than in the case of the Boulogne Agreement. Mr. Lloyd George accepted this proposal, and the scheme was approved on the following basis:—

1921: 2 milliards of gold marks (£100,000,000), plus 12 per cent. of the value of exports for the year.

1922: 2 milliards of gold marks (£,100,000,000), plus 12 per cent.

1923 to 1925: 3 milliards of gold marks (£150,000,000), plus 12 per cent.

1926 to 1928: 4 milliards of gold marks (£200,000,000), plus 12 per cent.

1929 to 1931: 5 milliards of gold marks (£250,000,000), plus 12 per cent.

1932 to 1963: 6 milliards of gold marks (£300,000,000), plus 12 per cent.

Hôtel Crillon, Paris, January 28, 1921.

No. 10

I.C.P. 155B] British Secretary's Notes of Meetings of a Committee on Reparation of the Allied Conference held in the Salle de l'Horloge, Quai d'Orsay, Paris, on Friday, January 28, 1921, at 11.30 a.m., 5 p.m., 7 p.m., and 10 p.m.

Present: France: M. Briand (in the Chair), M. Doumer, M. Loucheur, M. Seydoux, M. Cheysson, M. Tanneny [Tannery], M. de Margerie; SECRETARIES, M. Massigli (Secretary-General), M. Chastenet.

British Empire: The Rt. Hon. Sir Laming Worthington-Evans, Bart., M.P., The Rt. Hon. Lord D'Abernon, Mr. H. E. Fass; SECRETARIES, Mr. R. B. Howorth, Mr. E. Allden.

Belgium: M. Jaspar, Colonel Theunis; secretaries, Viscount Davignon, Viscount Terlinden.

Italy: Signor Giannini, Signor d'Amelio; secretary, Signor Galli. Japan: Mr. Kengo Mori, Mr. Sekiba; secretary, Mr. Arai.

M. Briand, in opening the proceedings, reminded the committee that it had been appointed at the meeting of the Allied Council held on Thursday, the 27th January, 1921, to consider certain suggestions for solving the difficult problem of reparations. The present situation was a very delicate one, but, speaking on behalf of France, he wished to emphasise as strongly as he could the necessity for preserving unity among the Allies and the intention of the French Government to do all in their power to preserve such unity. Given equal good-will on the part of the other Allied representatives, he felt convinced that the committee would come to a satisfactory conclusion. He would now call on M. Jaspar to indicate the nature of his proposals.

M. Jaspar said that the suggestion which he had ventured to lay before the conference on the previous evening provided, in his opinion, a possible basis for a settlement by the Allies among themselves of the difficulties with which they were at present faced in the matter of reparation.

¹ See No. 8.

Broadly speaking, his plan contemplated the fixing of annuities on the general lines of the Boulogne Agreement,² but, while part of the annuity should be definitely fixed in amount, the other part should be variable and its figure should be made to depend on the nature and extent of Germany's prosperity. Public opinion in the Allied countries would demand, and, in his opinion, rightly demand, that Germany should in the future pay to the Allies reparation in accordance with her capacity, and the best method of securing such payment would be to make the liability correspond with her increasing economic prosperity. The solution he contemplated would therefore give the Allies a certain fixed figure in any event, plus a variable amount corresponding to Germany's prosperity.

In order to secure the annuities, it would be necessary for the Allies to take stringent guarantees and to impose sanctions in the case of non-fulfilment by Germany of her obligations, and he would suggest that the conference should refer to the experts the question of the precise nature of such guarantees and sanctions. Incidentally, the clauses in the treaty did not entirely safeguard the Allies, especially having regard to the circumstances of the present day, and it would be necessary for the experts to review most carefully the whole question of safeguards in the light of the situation both in Germany and in the Allied countries.

A solution on the lines indicated above would, he said, satisfy Belgium, and he felt convinced that his colleagues would agree as to the importance of fixing the amount of Germany's indebtedness with a certain degree of elasticity as regards the future.

M. Briand said that, speaking on behalf of France, he was prepared to accept M. Jaspar's proposals as a basis for discussion, and he thought that they contained elements which would lead to an agreement. He particularly favoured the idea of a variable annuity, and it seemed to him that the Allies should be able to agree on some kind of sliding scale of payment which would at the same time not unduly hinder the economic restoration of Germany and would give the Allies a satisfactory amount in reparation.

The representatives of Great Britain, Italy and France stated that they concurred in the remarks made by M. Briand.

SIR L. WORTHINGTON-EVANS then enquired whether the committee were to expect to hear some proposition from M. Briand and his French colleagues. He reminded the committee that on the previous evening the conference had been unable to proceed because M. Briand had not felt able to accept the proposal made by Mr. Lloyd George. He therefore thought that it would be convenient if the French representatives would make some concrete suggestion to the committee.

M. Doumer said that he thought it would be useful to examine first the question of the amount of the fixed annuity and then the further question of the nature and amount of the variable annuity which was to be dependent on the extent of Germany's prosperity, and, more particularly, on the increase of her export trade. He would propose that the figures in the Boulogne

² See No. 9, n. 2.

Agreement should be taken for the fixed annuity and that there should also be added a variable annuity of 10 per cent. or 20 per cent. ad valorem of German exports.

SIR L. WORTHINGTON-EVANS agreed that this would be a useful basis for discussion, and enquired whether M. Doumer meant that the fixed annuity was to be one of 3 milliards.

M. Doumer said the fixed annuity should be 3 milliards for each of the first five years, 6 milliards for each of the next five years and 7 milliards per annum during the rest of the period. Germany should be able to capitalise these annuities on the lines suggested in the Boulogne Agreement, and if this scheme were adopted the Allies, he thought, would obtain payment from Germany in direct ratio to her prosperity.

Colonel Theunis said that he wished to speak from a technical point of view, and it was necessary in these matters that the very real difficulties which existed should be faced and, if possible, overcome. The Boulogne Agreement was based on annuities for forty years at 5 per cent., the capitalised value of which amounted to 101 milliards of gold marks. The Boulogne Agreement was, in fact, equivalent to the fixation of the German indemnity, only the rate of interest being left vague. If the Allies had a variable annuity it would be necessary to fix a maximum. The devalorisation of gold might be taken at 1.70 instead of 2, as had been suggested some months ago,³ and this factor must be taken into account. The French representatives apparently wished to take the Boulogne annuities as a minimum and add to them a variable annuity, but he was sure that the committee ought to endeavour to fix some maximum before proceeding further.

SIR L. WORTHINGTON-EVANS thought there were very good reasons for not fixing a maximum. For example, if a maximum were fixed now with reference to present conditions and Germany was to experience in the future prosperity of a kind which could not be reasonably contemplated at the present moment, the Allies would be prejudiced. Moreover, to fix a maximum would enable a calculation to be made of the maximum amount of the indemnity which Germany would have to pay in the most favourable circumstances. This was not desirable.

COLONEL THEUNIS pointed out that it would be advantageous for Germany to have a maximum fixed so that she could make arrangements with a view to liquidating her liability by capitalising it or otherwise. He pointed out that the immediate annuities were of importance, and he thought that, at all events, if the Allies could not fix a maximum figure at the moment, at least they should decide on a maximum period for the annuities. The forty-two years contemplated in the Boulogne Agreement might well have to be reduced.

M. Doumer informed the committee that, if an export tax of 15 per cent. ad valorem was imposed and Germany's exports amounted to the pre-war figure of 10 milliards of gold marks, the tax would be equivalent to 1½ milliards, or 3 milliards if the pre-war exports were doubled, while, if German

³ Cf. No. 5, p. 41.

exports rose to 30 milliards, which was not an inconceivable proposition, the tax would amount to 4½ milliards of gold marks. An average produce of 3 milliards of gold marks over the whole period of forty-two years would give a capitalised value of 52 milliards of gold marks. This, added to the Boulogne capitalised figure, would give a total of 152 milliards of gold marks.

M. LOUCHEUR said that he would like to ask a question. How, in point of fact, would the variable annuity work in practice? The British representatives apparently did not want to have a maximum fixed. The Belgian representatives pressed for the fixation of a maximum. France preferred no maximum, but, of course, everything depended on ways and means.

SIR L. WORTHINGTON-EVANS remarked that he was anxious to know exactly what the French proposition was. As he understood it, there was to be a fixed annuity of a definite amount for a limited number of years and also a variable annuity, which, while it would be limited in time, would not be limited in the annual amount which it would produce.

SIGNOR GIANNINI said that the Italian delegation were in general agreement with the scheme as laid down at Boulogne and with the recommendations made by the Brussels experts. With regard to the proposed variable annuity, they saw considerable objection to an export tax. In German hands such a tax might be very dangerous, inasmuch as Germany might be able to discriminate.

M. Jaspar thought that the difficulties raised by Signor Giannini might well be referred to the experts for consideration. As he understood the French proposal, there was to be a fixed annuity of 3 milliards of gold marks for the first five years, 6 milliards of gold marks for the second five years, and 7 milliards of gold marks for the remaining thirty-two years, plus a variable annuity equivalent to either 10 per cent. or 15 per cent. of the value of German exports over the whole forty-two-year period. He should much like to hear the British view on this proposal.

SIR L. WORTHINGTON-EVANS said that before he was in a position to reply, he should like to know whether the other Boulogne arrangements were to be accepted or not. For example, was it suggested that the Reparation Commission should have the powers of postponement and delay as had been contemplated at Boulogne.

M. Doumer replied in the negative. The French representatives would be quite prepared to discuss the question of postponement later, but they would prefer not to make this concession at the moment.

COLONEL THEUNIS thought the question was not one of great importance, since, if Germany defaulted, the Allies could always fall back on the sanctions of the treaty.

After some further discussion, in the course of which it was pointed out that the question was really covered by article 234 of the treaty,⁵ Sir L. Worthington-Evans intimated that he did not propose to press this particular point.

⁴ See No. 7, n. 3 (ii.).

⁵ This article gave the Reparation Commission power 'to extend the date, and to modify the form of payments' to be made by Germany.

MR. Mori said that he wished to say a few words. The proposal to have a fixed and variable annuity was, in his view, a very ingenious one, but he was anxious to know whether the export tax was to be applied to all exports. If so, it might be desirable to fix some datum line and only exact the tax on the excess of exports over and above the datum line, which, for this purpose, might be drawn at Germany's present exports.

M. Doumer pointed out that the proposed tax was to be levied on all exported goods, and would, in point of fact, fall on the whole of Germany's exports.

SIR L. WORTHINGTON-EVANS said that he had been asked whether Great Britain agreed generally with the French proposals. In reply he must inform the committee that he was only authorised to agree within the limits of the Boulogne Agreement. If the proposed variable annuity was in substitution for part of the fixed annuity under the Boulogne Agreement, he could agree at once, but if, as he apprehended, the variable annuity was additional to the fixed annuity, he could express no opinion until he had had an opportunity of further consultation with Mr. Lloyd George as to the amount of the variable annuity. He pointed out that the higher the export tax, the greater was the risk of preventing exportation. On this ground Great Britain would favour the lower rate, and he thought a 10 per cent. tax would probably be high enough, and that a risk would be run by fixing a higher figure.

M. Doumer stated that the French preferred 15 per cent. He reminded the committee of Germany's very efficient industrial organisation, and her present and future capacity for dumping. The figure of 15 per cent. was not really high if compared with the 'drawback' enjoyed by Germany's internal traders.

SIR L. WORTHINGTON-EVANS repeated that the British representatives thought that Germany could carry a 10 per cent. tax, but not one so high as 15 per cent. It had been suggested that he had been prepared to accept the French proposal subject to the consent of Mr. Lloyd George. This, however, was not the true position. The British representatives were not in the least committed, and they were quite unable to express any views on the French proposal until after they had consulted among themselves. In reply to M. Jaspar, he stated that at the moment the British representatives had no further propositions to make.

Sir L. Worthington-Evans, continuing, enquired whether any further modification of the Boulogne terms was contemplated. If so it would be better to discuss it now as he wished to get a complete picture of the situation.

M. Doumer said that it was intended to allow Germany to make payments in advance, and to give her an inducement so to do.

SIR L. WORTHINGTON-EVANS pointed out that in the Boulogne Agreement provision was made for a discount in such cases. If the French wished to increase the rate of discount, Great Britain would raise no objection. Such an increase would no doubt give Germany greater inducement to pay.

M. Doumer thought that up to the 1st May, 1923, the rate of discount might be increased from 7 per cent. to 8 per cent. by means of a sliding scale.

He was quite prepared to help Germany to launch an external loan, but he felt that the sanctions of the Boulogne Agreement would need to be considerably strengthened; some of the sanctions were in fact not practical.

LORD D'ABERNON agreed, and indicated particularly the sanction which dealt with the disposal of industrial securities.

M. LOUCHEUR felt that the Allies ought to be very careful before they gave up any right or claim even though its value might be very small. He agreed that the guarantees required to be given a more practical character, and he instanced such matters as the character of the commission for the control of the debt, and the arrangements for the seizure of the German customs in the event of default. Moreover, it was necessary to indicate to Germany that she must increase her taxation particularly from indirect taxation, and that she must take steps to discover fresh sources of revenue.

SIR L. WORTHINGTON-EVANS pointed out that the Brussels experts had asked for information on this and other points, and that it would be necessary for the committee in due course to consider the suggestions made. He now proposed that the committee should adjourn until the afternoon. He undertook in the interval to discuss the French proposals with Mr. Lloyd George, and he hoped to be able to lay before the committee the considered views of the British delegation at the resumed meeting.

(The committee resumed at 5 p.m. on the 28th January.)

M. Briand, in opening the meeting, wished to apologise for the delay which had occurred, but he had taken the opportunity of having a most important interview with Mr. Lloyd George, 6 and he felt that as the result of the interview, further progress was possible.

M. JASPAR said that in the discussion which had taken place it was always felt necessary to return to the idea of combining the fixed annuity with a variable annuity. He proposed the following formula:—

From 1920 to 1925: 3 milliards of gold marks fixed per annum, plus 12 per cent. variable annuity.

From 1926 to 1930: 4 milliards of gold marks fixed per annum, plus 12 per cent. variable annuity.

From 1931 to 1935: 5 milliards of gold marks fixed per annum, plus 12 per cent. variable annuity.

From 1936 to 1963: 6 milliards of gold marks fixed per annum, plus 12 per cent. variable annuity.

If he was rightly informed, he understood that the French delegation would like to see the second and third periods reduced.

COLONEL THEUNIS said that M. Doumer had in the morning proposed a tax of 15 per cent. on all exports in addition to the fixed Boulogne annuities. The British delegation apprehended that if the figure of this tax was put too high the result would be that German exports would seriously diminish. The British therefore preferred a figure of 10 per cent. He now suggested a compromise of 12 per cent. In the Boulogne Agreement the steps by which the

annuities rose were very severe, a jump was made at the end of five years of 3 milliards to 6 milliards.

Colonel Theunis proposed that the curve should be smoother, that the annuities should increase by 1 milliard instead of 3 milliards at the periods when an increase in the amounts to be paid by Germany appeared to be possible.

M. LOUCHEUR thanked the Belgian delegation for their proposal, but [sic] he was willing to meet them as far as possible, but he insisted upon the importance of a solution which would be acceptable to the Chamber. He was prepared to accept the amount to be paid during the first period of Colonel Theunis's plan, although he thought it a little long, but he proposed that the second and third periods should be shortened to three years each, the annuity of 6 milliards beginning therefore in 1932.

Signor D'Amelio⁷ thought that his Government would have no difficulty in accepting the Belgian proposal. The experts at Brussels suggested certain concessions which might be made to the Germans, including the reduction of the cost of the armies of occupation which did not appear in the Boulogne Agreement.

Signor Giannini suggested that the cost of the armies of occupation might, as a concession, be included in the annuities.

M. Doumer said that the French delegation had made a step towards the English point of view, but thought that great confidence in the economic revival of Germany was required to enable anyone to believe that the 12 per cent. export tax would equal the amount of the Boulogne annuities.

MR. Mori stated that he agreed entirely with the Belgian plan.

SIR L. WORTHINGTON-EVANS said that it would be necessary for him to consult Mr. Lloyd George and suggested an adjournment of half an hour for that purpose.

(The committee resumed at 7 p.m.)

SIR L. WORTHINGTON-EVANS said that he was now in a position to inform the committee of the result of his conference with Mr. Lloyd George.⁸ The latter considered that the addition of the 12½ [sic] per cent. export tax to the 3 milliards fixed annuity in the earlier years would impose too heavy a burden on Germany. It was of supreme importance not to have any breakdown at the outset of the financial arrangements to be agreed with the Germans, and Mr. Lloyd George was accordingly unable to accept the Belgian proposal precisely in its present form. He, however, had suggested that during the first two years the fixed annuity should be 2 milliards of gold marks (plus 12 per cent. export) and that during the next three years the annuity should be 3 milliards of gold marks (plus the 12 per cent. export tax). Mr. Lloyd George would accept the remainder of the Belgian proposal, and he would also favour instructions being given to the experts on the questions raised by

8 See No. 9.

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⁷ Commendatore d'Amelio was an Italian delegate to the Reparation Commission: he had attended the financial experts' conference in Brussels in Dec. 1920.

them in the Brussels report. Mr. Lloyd George's counter suggestion would, he (Sir L. Worthington-Evans) thought, provide a satisfactory solution.

In reply to a question by M. Doumer, he emphasised the fact that Mr. Lloyd George preferred the Belgian scale of annuities to the French scale of annuities.

M. LOUCHEUR pointed out that the estimated difference in the present value of the French and Belgian proposal was 5 milliard of gold marks, the Belgian proposal being more favourable to the Germans to this extent. The figure for the first two years would be below the Boulogne figure, would be less than the figure given by the experts at Brussels, and was getting very close to the figure suggested by Herr Bergmann.9

SIR L. WORTHINGTON-EVANS pointed out that French calculation apparently allowed nothing for the 12 per cent. export tax which would amount to at least half a milliard for the first year and might well be 3 milliards per annum over the average of the first five years. He pointed out that under the Boulogne arrangement the Reparation Commission had power to postpone and he emphasised again the British contention that it was very important there should be no default in Germany's payments in the first two years, and the way to secure this was to reduce the amount of the fixed annuity in those years.

M. DOUMER again remarked that he could not understand why it was desired to make the later annuities more favourable to Germany, although he agreed with the British view that some concession might be allowed in the first and second years. He thought that the claims of France in this matter should receive sympathetic consideration.

SIR L. WORTHINGTON-EVANS pointed out that M. Loucheur had himself indicated that he would not press for his scale if serious objection was taken to it and that he would be in that event prepared to accept the Belgian scale. He (Sir L. Worthington-Evans) was afraid that he could not modify the proposal which he had made.

M. Jaspar said that he considered that the Belgian proposal was a very reasonable compromise. The Allies should endeavour to reach an agreement—they had a common aim and the end could be attained by accepting the principle of the fixed annuity and the chance of the variable annuity, and relying on Germany's economic restoration. He agreed that the Allies had the greatest interest in nursing Germany's economic position during the next few years and he urged that sacrifices should be made in respect of the first and second years in order that a richer harvest might be realised later. Let the Allies associate themselves in the economic restoration of Germany and get the greatest possible benefit therefrom.

COLONEL THEUNIS pointed out that the Belgian proposal would give 2 mil-

9 In a conversation in Paris with Lord D'Abernon on Jan. 18, Herr Bergmann, who had led the German delegation to the meeting of financial experts at Brussels in Dec. 1920, had included among conditions which might form a basis for further discussion the payment by Germany during the first two years of an annuity of not more than 2 milliards, of which 1½ milliards should be paid in kind and half a milliard in cash. See D'Abernon, op. cit., p. 114.

liards less on the fixed annuity as compared with Boulogne. To be on the same footing as Boulogne it would be necessary to obtain a substantial amount from the variable annuity in 1921. In five years' time it was conceivable that German exports might be less than now, in which case the produce of the 12 per cent. export tax would be very small and the interest on any bonds or securities created in respect of that annuity might be imperilled.

M. Doumer repeated that while he was prepared to compromise in respect of the first and second years he regretted that he could not agree to the reduction in later years.

SIR L. WORTHINGTON-EVANS again stated that he could not depart from his proposal. The 12 per cent. export tax was not likely to produce less than 2 milliards of gold marks per annum unless indeed the Allies were to take the most pessimistic view of Germany's recovery, and if that view was to be taken it might well be that all hopes of obtaining reparation to a substantial amount by means of the annuity system were doomed to disappointment.

M. Briand remarked that it would be most difficult to persuade France to make further sacrifices during the next two years when her needs were so very great, but if it could be shown that such sacrifices would result in greater returns in later years he thought that he could carry Mr. Lloyd George's proposal. He felt, however, that it was very doubtful whether any concession in the matter of later years should be made. Having regard to the fact that the Allies were so near an agreement he thought it would be most deplorable if the negotiations broke down on this particular point. Let the Allies in a spirit of cordiality endeavour to come to some compromise acceptable to all parties.

SIR L. WORTHINGTON-EVANS stated that the British delegates had decided upon their figures not with any view of making concessions to the Germans, but because the figures were in their opinion reasonable in themselves and because they were figures which the Allies could insist upon and defend, and which seemed likely to be as much as Germany could pay. The British proposal must be looked at as a whole, and if this were done he felt sure that the committee would regard it as a reasonable and defensible one.

(On the motion of M. Jaspar, it was decided to have a further adjournment until 10 p.m.)

On the resumption of the meeting, SIR L. WORTHINGTON-EVANS informed the committee that Mr. Lloyd George had carefully considered the representation made by the French delegates and had decided to accept the French proposal as regards the scale of annuities in the later years. The fixed annuities would, accordingly, be as follows:—

Two annuities of 2 milliards of gold marks from the 1st May, 1921, to the 1st May, 1923.

Three annuities of 3 milliards of gold marks from the 1st May, 1923, to the 1st May, 1926.

Three annuities of 4 milliards of gold marks from the 1st May, 1926, to the 1st May, 1929.

Three annuities of 5 milliards of gold marks from the 1st May, 1929, to the 1st May, 1932.

Thirty-one annuities of 6 milliards of gold marks from the 1st May, 1932, to the 1st May, 1963, plus annual annuities equal in amount to 12 per cent. ad valorem of the German exports levied on the proceeds of such exports, and payable in gold, current from 1921 to 1963.

M. Doumer then informed the committee that a draft of the accord had been prepared, copies of which he would now hand round for consideration. The draft consisted of six articles (see appendix for copy of French text).

Some discussion took place as to whether the variable annuity should be expressly stated in the agreement as an export tax, representation being made by the Italian delegates that they objected to such a tax as dangerous in itself and as likely to lead to Germany's discriminating between one country and another. On the other hand it was pointed out that the effect of levying the variable annuities on the proceeds of the German exports would be beneficial to Allied industry, and would be a safeguard against possible German dumping.

After considerable discussion, it was agreed that paragraph 2 of article 1 should read as follows:—

Forty-two annuities running from the 1st May, 1921, equal in amount to 12 per cent. ad valorem of the German exports levied on the proceeds thereof and payable in gold two months after the close of each half year. In order to carry out the above the necessary supervision will be organised over the German customs.

The committee agreed to article 2.

The committee agreed to the deletion of articles 3 and 4.

The committee agreed to article 5.

Considerable discussion took place as to article 6, the committee being informed that French public opinion attached considerable importance to the sanction which enabled German industrial securities to be deposited as a guarantee for reparation payments.

SIR L. WORTHINGTON-EVANS pointed out that it would be open to the German Government at any time by means of domestic legislation to deprive the deposited industrial shares of any value, for example, Germany might arrange that no dividends or interest should be paid on such shares. He urged that it was no use relying on a sanction which the German Government could make ridiculous. Good guarantees were not improved by having bad ones added to them.¹⁰

M. Doumer then read to the committee a new draft article which he proposed should be inserted in the agreement establishing a definite ratio between the amount of the cash payments and the payments in kind, during

¹⁰ Note in filed copy: 'M. Loucheur subsequently agreed, on behalf of the French delegation, not to press for the deposit of industrial securities.'

the first period of five years. His proposal was that in each of the first two years the cash payment should be at least 25 per cent., in each of the next two years the cash payment should be at least 75 per cent.

M. Jaspar felt some doubt as to whether it was advisable to decide at the moment on the ratio. The question was one of considerable difficulty, and he thought that the committee would be wise to refer it for consideration by the experts at Brussels.

LORD D'ABERNON pointed out that the committee might recommend a reference to the experts. So far as Great Britain was concerned, a substantial part of the annuity payable in cash would be favourably entertained.

SIR L. WORTHINGTON-EVANS agreed with M. Doumer, the importance was to arrive at a safe figure for the payments in cash and kind respectively. He thought the figures suggested by M. Doumer were safe and reasonable, and as they were in any case minimum figures, he was prepared to agree to the proposition.¹¹

The committee then turned to the consideration of certain suggestions and recommendations made to the conference by the Brussels experts and contained in the Brussels report (A.J. 229).¹²

Readjustment of Germany's Fiscal System

The committee, while agreeing generally that [? with] the views expressed by the experts in the paragraph headed 'Securities and Guarantees,' decided to recommend that the experts should be requested to advise the Allied Governments on the steps to be taken by Germany to establish special taxes, particularly indirect taxes on alcohol, &c., and also the steps to be taken to require Germany to suppress certain expenses.

Armies of Occupation

It was represented that a decision should be reached as soon as possible on the question of expenses of the armies of occupation. This question was a scandalous one, and it was necessary to decide whether the cost of this service should be limited to 240 million gold marks per year, as proposed in the note of the 16th June, 1919, 13 plus some further sums for requisition.

SIR L. WORTHINGTON-EVANS stated that Great Britain agreed to the limitation to 240 million gold marks per annum, exclusive of requisitions. If the experts can draw up a scheme which would protect the Allies against the Germans, it might be possible to include the requisitions within the 240 million gold marks, but it would be necessary to take great care that Germany was not placed in a position where she could by increasing the value of the requisitions automatically reduce the Allied forces in the occupied territories to a dangerously low number.

¹¹ Note in filed copy: 'It was subsequently agreed that this question should be further examined by the Brussels experts.'

¹² Not printed. See No. 7, n. 3 (ii).

¹³ See Cmd. 240 of 1919: Declaration by the Governments of the United States of America, Great Britain and France in regard to the occupation of the Rhine Provinces.

On this point some discussion took place as to the extent of publicity to be given to the various decisions reached, and it was agreed—

'That there should be an agreement signed by the Allied representatives, which agreement should be published, and also a letter of instructions to the experts (dealing with questions raised in the Brussels report), which should not be published.'

The committee agreed to the proposals and recommendations of the experts under the headings: (b) simplification of the various heads of reparation and other financial obligations imposed upon Germany by the treaty; (c) economic relations; (d) ships, subject in paragraph 3 to the deletion of the word 'passenger' in line 3, so as to include cargo liners.

As regards the recommendation dealing with the Debt Clearing Offices, the committee were informed that this question was under consideration by the Reparation Commission, and it was agreed—

'That the experts should wait for the report of the Reparation Commission, but need not necessarily adopt that report.'

As regards (f), reprisals, under paragraph 18 of Annex II of Part VIII of the treaty, and (g), sequestered German property in Allied countries, it was agreed—

'That these concessions might usefully be used for bargaining purposes, and as regards the latter (sequestered German property) each country should be at liberty to take its own line in the matter of exceptions.'14

A discussion then took place as to the situation which would arise in the event of a rejection by the Germans of the terms of the Paris Agreement.

M. Briand pointed out that the Reparation Commission is practically under the control of the various Governments, and could only take an independent line with great difficulty. Some of the Allied representatives on the Reparation Commission were in favour of a speedy settlement, and others desired to proceed more cautiously, with the result that possibly the machine did not work very quickly. It must be remembered that if by the critical date, the 1st May, 1921, an agreement had not been reached by the Germans, it would be necessary to fall back on the treaty machinery, and there would then be the very serious difficulty of finding the requisite time within which to examine the Allied claims with the Germans. It might be safely assumed that the Germans would take full advantage of the position, and endeavour to obtain concessions from the Allies.

COLONEL THEUNIS suggested that possibly the Reparation Commission was endeavouring to reach too accurate a figure, and that the investigations were of possibly an over-elaborate nature. It seemed possible that some practical results would be obtained if the Reparation Commission could devote more time to dealing with realities.

SIGNOR D'AMELIO was of an opinion that the Reparation Commission should certainly proceed with its labours of fixing the claims, otherwise the

14 In the typescript text this word read 'exemptions'.

1st May might arrive without any settlement, in which case the Allies would be in a very serious position.

SIR L. WORTHINGTON-EVANS agreed with this view. The Reparation Commission should certainly proceed with the claims, at all events until the experts had got to some definite agreement at Brussels with the Germans. He took this opportunity of pointing out that the Reparation Commission had not yet received the French claim, although he understood that the other Allies had complied with the requirement that claims should be sent in to the commission at the end of September 1920.

The committee decided—

'That Sir Cecil Hurst and M. Fromageot, 15 assisted by the experts, should draft the agreement, with a view to copies being available by 10.30 on the morning of the 29th January, so that the document might be considered by the Allied representatives at the meeting of the conference, to take place at 11 a.m. on the same date.'

(The proceedings then terminated.)

Hôtel Crillon, Paris, January 29, 1921.

15 Respectively Legal Adviser to the Foreign Office and Legal Adviser to the French Ministry of Foreign Affairs.

Appendix to No. 10

Arrangement réglant certaines Questions entre les Puissances alliées relatives à l'Exécution du Traité de Versailles

ARTICLE 1

Pour satisfaire aux obligations que les articles 231 et 232 du Traité de Versailles ont mises à sa charge, l'Allemagne paiera en sus des restitutions qu'elle doit effectuer conformément à l'article 238:

- 1. Des annuités fixes, payables par moitié à la fin de chaque semestre, et ainsi déterminées:
 - (a) Deux annuités de 2 milliards de marks-or du 1er mai 1921 au 1er mai 1923;
 - (b) Trois annuités de 3 milliards de marks-or du 1er mai 1923 au 1er mai 1926;
 - (c) Trois annuités de 4 milliards de marks-or du 1er mai 1926 au 1er mai 1929;
 - (d) Trois annuités de 5 milliards de marks-or du 1er mai 1929 au 1er mai 1932;
 - (e) Trente et une annuités de 6 milliards de marks-or du 1er mai 1932 au 1er mai 1963.
- 2. Quarante-deux annuités commençant à courir le 1er mai 1921 égales à 12 pour cent de la valeur des exportations de l'Allemagne et payables par moitié, en or, deux mois après l'expiration de chaque semestre.

Un contrôle des douanes allemandes sera organisé et fonctionnera sous la direction de la Commission des Réparations pour l'application du présent paragraphe, sans préjudice des dispositions qui seront prises éventuellement, en ce qui concerne les douanes, à titre de sanction du présent arrangement.

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ARTICLE 2

L'Allemagne pourra toujours s'acquitter par anticipation de la partie fixe de sa dette.

Les versements anticipés qu'elle effectuera seront d'abord appliqués à la réduction des annuités fixes telles qu'elles sont déterminées par le paragraphe 1 de l'article 1er; ces annuités seront à cet effet escomptées au taux de:

- 8 pour cent jusqu'au 1er mai 1923;
- 6 pour cent du 1er mai 1923 au 1er mai 1925;
- 5 pour cent à partir du 1er mai 1925.

ARTICLE 3

L'Allemagne s'engage à faire tous ses efforts pour émettre une série d'emprunts, destinés à lui permettre de se libérer, dans le plus bref délai possible, de ses obligations de réparation, telles qu'elles ont été définies ci-dessus. La Commission des Réparations lui prêtera son concours et lui accordera des facilités pour l'émission de ses emprunts.

En vue d'assurer le succès de ces emprunts, et dans la mesure où la Commission des Réparations le croirait utile, les Puissances alliées l'autorisent à subroger les porteurs des titres de chacun de ces emprunts dans tout ou partie des privilèges accordés par l'article 248 auxdites Puissances sur les biens et ressources de l'Allemagne, y compris les douanes.

ARTICLE 4

En vue de faciliter l'émission et le service des emprunts prévus à l'article précédent, il sera institué un comité spécial dont la composition sera déterminée par la Commission des Réparations et auquel celle-ci pourra déléguer tout ou partie de ses pouvoirs, comme à l'un des comités prévus au paragraphe 5 de l'Annexe II de la Partie VIII du Traité de Versailles.

Le Gouvernement allemand et les porteurs de titres des emprunts seront représentés dans ledit comité.

Ce comité siégera en Allemagne.

ARTICLE 5

L'Allemagne ne procédera directement ou indirectement à aucune opération de crédit hors de son territoire national sans l'approbation de la Commission des Réparations. Cette disposition s'entend du Gouvernement de l'Empire allemand ou des Gouvernements des États allemands, ou des autorités provinciales ou municipales allemandes, ou des sociétés ou entreprises contrôlées par lesdits Gouvernements et autorités.

ARTICLE 6

Par application de l'article 248 du Traité de Versailles, l'ensemble des biens et ressources de l'Empire et des États allemands sont affectés à la garantie de l'exécution intégrale par l'Allemagne des dispositions contenues dans le présent arrangement.

Le produit des douanes allemandes maritimes et terrestres, y compris notamment le produit de tous droits d'importation et d'exportation, et de toutes taxes accessoires, sera affecté en gage spécial de l'exécution du présent accord.

Aucune modification susceptible de diminuer le produit des douanes ne sera

apportée, sans l'approbation de la Commission des Réparations, à la législation et à la réglementation douanières de l'Allemagne.

La totalité des recettes douanières allemandes sera encaissée, pour le compte du Gouvernement allemand, par un receveur général des douanes allemandes, nommé par la Commission des Réparations, et sans préjudice des subrogations prévues à l'article 4, alinéa 1, ci-dessus.

Au cas où l'Allemagne viendrait à manquer à l'un des paiements prévus dans le présent arrangement:

- 1. Tout ou partie du produit des douanes allemandes pourra être saisi entre les mains du receveur général des douanes allemandes par la Commission des Réparations et affecté par elle à l'exécution des obligations auxquelles l'Allemagne aurait fait défaut. Dans ce cas, la Commission des Réparations, si elle le juge nécessaire, pourra, par l'intermédiaire de la commission dont il est question à l'article 4 cidessus, assumer elle-même l'administration et la perception des recettes douanières;
- 2. La Commission des Réparations pourra, en outre, mettre en demeure le Gouvernement allemand de procéder à tels relèvements de tarifs ou à prendre, pour augmenter ses ressources, telles autres mesures qu'elle estimera indispensables;
- 3. Si cette mise en demeure reste sans effet, la commission pourra déclarer le Gouvernement allemand en état de défaillance, et signaler cette situation aux Gouvernements des Puissances alliées et associées, qui prendront telles mesures qu'ils jugeront justifiées.

No. 11

I.C.P. 156] British Secretary's Notes of an Allied Conference held in the Salle de l'Horloge, Quai d'Orsay, Paris, on Saturday, January 29, 1921, at 11 a.m.

PRESENT: France: M. Briand (in the Chair), M. Doumer, M. Loucheur, M. Barthou, M. Berthelot, M. Seydoux, M. Fromageot, M. Cheysson, M. Tanneny [Tannery], M. de Margerie; secretaries, M. Massigli (Secretary-General), M. Bressy, M. Chastenet.

British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister; The Rt. Hon. The Earl Curzon of Kedleston, K.G., &c., Secretary of State for Foreign Affairs; The Rt. Hon. Sir Laming Worthington-Evans, Bart., M.P., The Rt. Hon. Lord D'Abernon, Sir John Bradbury, Sir Eyre Crowe, Sir Cecil Hurst, Sir H. Llewellyn Smith, Mr. Philip Kerr, Mr. H. E. Fass, Mr. Harold Nicolson, Mr. Wigram, Mr. E. Allden; SECRETARIES, Sir Maurice Hankey, Mr. St. Quintin Hill.

Belgium: M. Jaspar, Colonel Theunis, M. Delacroix; SECRETARIES, Viscount Davignon, Viscount Terlinden.

Italy: Count Sforza, Count Borin [Bonin] Longare, Marquis Selvaggo [Salvago]-Raggi, Marquis della Torretta, Signor Giannini, Signor d'Amelio; secretaries, Signor Galli, Count Vannutelli-Rey, Signor Garbasso.

Japan: Viscount Ishii, Mr. Mori, Mr. Sekiba, Mr. Arai; secretaries, Mr. Sawada, Mr. Debuchi.

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Military, Naval and Air Experts:

France: Marshal Foch, General Weygand, General Nollet, General Parent, Admiral [le] Vavasseur, Rear-Admiral Fatou, Captain Roper.

British Empire: Field-Marshal Sir Henry Wilson, Admiral Charlton, General Bingham, General Thwaites, General Groves, Commander Lucas.

Belgium: Colonel Termonia, Lieut.-Colonel Tasnier.

Italy: General Marietti, Commander Mazzolini, Admiral Orsini, Commander Ruspoli.

Japan: General Watanabe, Admiral Osumi, Colonel Shibuya.

1. Reparations

M. Briand stated that during the whole of yesterday, acting on instructions given at the meeting held the day before, the Special Committee attempted to conciliate differences of opinion and succeed[?ed] in settling the difficult and delicate question of reparations. An agreement had been reached owing to the great goodwill shown by various members of the delegations. Delegates of Great Britain had evinced the best will possible, and the same was true of the Italian delegates. He offered the Belgian delegates his congratulations on the services which they had rendered in bringing about the ultimate settlement. The text which had been agreed upon would now be submitted for the approval of the conference. (Appendix 1.)²

MR. LLOYD GEORGE stated that he did not see the necessity of reading the whole text, as the various delegations had received a copy. He had only two modifications to suggest.

M. Doumer stated that the emendations to be proposed by him were merely verbal changes.

MR. LLOYD GEORGE suggested that purely verbal modifications of the text should be agreed by the Drafting Committee, and that the conference should only consider modifications of substance. He expressed his gratitude to the Drafting Committee for their labours and his congratulations on the success which had attended them. At one time things had looked as if a deadlock had been reached. The present agreement was a triumph of ingenuity, resource and goodwill. He extended his warmest congratulations to the committee for their contribution to the sacred cause of the Allies. It would have been a real disaster if no agreement had been reached, a disaster which would have affected not only all the Allied countries, but would have been a notification to Germany that a crack had occurred in the alliance.

As regards the two modifications which he proposed to suggest, the first was a mitigation of the terms of the proposed agreement, and the second was a strengthening of those terms. He would deal with the latter first.

He thought that the agreement should contain a provision giving the Allies

¹ See Nos. 9-10.

² The text (A.J. 249) attached to the filed copy and printed below embodied the amendments agreed to during the present meeting, and drafting amendments.

power to check and overlook German exports in order to prevent any falsification of figures. The success of the agreement depended on its being worked in a spirit of fairness by Germany. If there was any attempt to falsify the figures, the new arrangement would be a failure. He proposed, therefore, that a provision should be inserted enabling the Allies to make certain proposals with a view to checking the exports of Germany and with a view to working the agreement.

M. SEYDOUX asked who would make the proposals for this.

MR. LLOYD GEORGE said that the Allies would do so, and that he proposed to submit a draft of the provision in a few minutes.

M. Doumer stated that he was all the more in favour of this guarantee because in the first French draft a similar provision had appeared. He would be glad to see it inserted once more.

MR. LLOYD GEORGE said that the first point to which he had referred appeared on p. 3 of the French text³ (paragraph 4 of article 4 of A.J. 246 which is the English draft).³

He thought it important that there should be a receiver-general who could be trusted, but it would be adding to the difficulties of the Allies if the Allies insisted on the appointment of this official being made by them. Such an appointment would necessarily excite German pride, considering that the same purpose could be achieved by saying that the appointment should be made with the sanction of the Reparation Commission. This would mean that the name of the official would have to be submitted to the Allied Governments and could be rejected, if necessary. It would be a great advantage to obtain, not German goodwill—that was impossible—but German consent to working with the Allies. His proposition was that the receiver-general should be appointed with the approval of the Reparation Commission.

M. Briand replied that, as president of the Drafting Committee, he wished to inform the conference that that committee had considered this very point yesterday. As, however, the committee had made a point of adhering as strictly as possible to the Boulogne Agreement, they thought that the stipulation suggested by Mr. Lloyd George should not be insisted on.

Mr. Lloyd George stated that no doubt this provision had been taken from the Boulogne Agreement, but since that agreement had been departed from in a sense adverse to Germany, he thought we might give the Germans a little bit of sugar to sweeten the new proposals.

M. Doumer suggested that the following words should be used:—

'Designated by the German Government with the approval of the Reparation Commission.'

This suggestion was adopted.

MR. LLOYD GEORGE stated that, subject to the verbal modifications introduced by the Drafting Committee, the new Reparation Agreement would

3 Not attached to filed copy.

not require further consideration. He suggested that the agreement should be sent by the president of the conference to Germany as an expression of the common opinion of the Allies, and that the Germans should be invited to attend in London, say, four days after the commencement of the Allied meeting there.

COUNT SFORZA suggested that the Germans should be asked to attend one week after the commencement of the Allied meeting.

MR. LLOYD GEORGE agreed to the 28th February. That date would, he said, give the Germans a week-end in London.

M. Doumer said that he had one point to add. Last night between midnight and I o'clock a natural tendency had appeared to hand over to the experts the drafting of the agreement. As regards payment, it had been decided to refer to the experts the question of the measures to be taken in respect of bonds, &c. The French Government were now disposed to think that it would be necessary to add a paragraph to the main agreement to allow those nations who desired it to obtain delivery of bonds. He would read the section which the French Government desired to be inserted to deal with this point. The section in question read as follows:—

'Chacune des nations intéressées pourra se faire remettre, par l'entremise de la Commission des Réparations, des bons négociables revêtus de la signature du Gouvernement allemand, et représentant la part lui revenant des annuités fixes.'

Mr. Lloyd George stated that he was not opposing the proposed new clause, but he desired to express the doubts which he felt on account of the possible danger of separate negotiations with Germany by individual Powers behind the backs of the other members of the alliance. As long as it was understood that any proposal on this subject, whatever it might be, should have the sanction of the Reparation Commission as a whole before being submitted to Germany by any nation, he would not maintain any objection to the new clause. But he thought it very dangerous for any one Power to negotiate behind the backs of the others. It would be the beginning of the breaking up of the alliance, and he thought the alliance far more important than this particular question of bonds.

M. Loucheur agreed entirely with Mr. Lloyd George.

Mr. Lloyd George doubted whether the phrase 'par l'entremise' was quite satisfactory.

M. Jaspar suggested that the exact phrasing of the new clause might be referred to the experts who could prepare a draft clause under the supervision and with the assistance of the Reparation Commission.

MR. LLOYD GEORGE stated that in principle he agreed to the new clause. but thought that it had better be considered by the experts.

M. LOUCHEUR asked that the experts should report on the subject that night.

M. Loucheur then suggested that the Reparation Agreement should have a preamble which he read out in French to the conference.

M. Briand stated that, as president of the conference, he was opposed to

such a preamble, and suggested that the terms should appear as a resolution of the conference.

MR. LLOYD GEORGE thought it would be necessary for the Powers to instruct their representatives on the Reparation Commission to take action in accordance with the Reparation Agreement, and he suggested that this proposal might be embodied, not as a preamble, but as a separate resolution, by which the Allies would say that they instruct their representatives on the Reparation Commission to conform to the proposals in the Reparation Agreement.

M. Briand and M. Loucheur assented to this proposal.

M. LOUCHEUR then asked the members of the conference to agree to certain verbal modifications in the draft agreement (A.J. 246). Consideration of these modifications was referred to the Drafting Committee.

M. Briand stated that yesterday the Drafting Committee considered the question of what the Reparation Commission would continue to do, i.e., whether it was expected to go on with its labours. There was a practically unanimous expression of opinion that the Reparation Commission should continue its functions if for one reason only, namely, that if Germany did not accept the new agreement and the Reparation Commission in the meantime had disappeared, the Allies would get nothing. He therefore thought that the Reparation Commission should continue to work on the question of assessment.

General agreement was expressed with this view.

M. Briand, resuming, said that the next question for consideration was that of the instructions to be given to the experts.

MR. LLOYD GEORGE stated that no doubt the Germans would wish to know the limit of the proposal that they should pay annuities equal in amount to 12 per cent. ad valorem of their exports. They could not go on paying these annuities for ever; they would wish to know the maximum for which they will be responsible. He suggested that this question should be referred back to the experts so that the conference might be advised, when it met once more, what answer they should give to the Germans when the enquiry was made. He thought that an answer should be prepared beforehand.

M. Doumer remarked that the amount was the forty-two annuities.

COLONEL THEUNIS remarked that Mr. Lloyd George had suggested that the amount should be fixed in view of the possibility of an enormous increase in German prosperity.

MR. LLOYD GEORGE agreed, and added that, with compound interest, the Germans might have to pay a colossal sum. The Allies ought to consider before the next meeting what sum they had in their minds.

M. Doumer stated that, even on the most favoured hypothesis, this figure of 12 per cent. would only bring in about 40 milliards; the tax could not possibly bring in more.

M. Briand remarked that he thought that when the conference came face to face with the Germans they would have ready the elements of an answer. Meantime it was for the experts to continue their researches.

MR. LLOYD GEORGE asked that the experts should have a definite answer ready. The period of forty-two years was a very long one. Germany might experience an enormous industrial development before the end of that period, and the sum she might have to pay might be a huge figure, and no doubt it would be a figure which the Allies did not at present contemplate. He therefore thought that if the Germans were going to raise the question of a limit, the Allies should instruct their representatives to consider what answer should be returned.

M. Briand stated that it was possible that Germany might experience great prosperity. There was the closest connection between the prosperity of the Allies and that of Germany, and it was to the interest of Germany to anticipate the yearly payments.

MR. LLOYD GEORGE agreed, and repeated that the experts should consider the question of fixing a limit to the total amount to be obtained by means of the 12 per cent. ad valorem tax.

Mr. Lloyd George added that he understood that there were eight other questions which the experts should be invited to consider. He therefore suggested that the Drafting Committee, which met yesterday, and which had been so successful in its labours, should meet again once more to deliberate on these questions.

(The members of the Drafting Committee present at the conference then retired.)

2. Armaments

(The experts dealing with the question of armaments entered the room.)

M. Briand stated that the next question for consideration was that of the restriction of Germany's armaments. The conference had decided to refer this question to a committee of experts. This committee had made a report (Appendix 2). If there was no objection on the part of the conference, he would ask M. Barthou or Marshal Foch to make a statement.

M. Barthou stated that he stood by the conclusions of the expert committee and requested the conference to convert them into resolutions.

MR. LLOYD GEORGE stated that he was prepared to accept the recommendations of the experts, but he thought that some of the requirements were too strict. Taking into account all the difficulties which Germany would experience, he did not think that sufficient time had been given to enable even a perfectly willing Government to do what the Allies wanted. The Germans would be present in London in three weeks' time; they would not return to their own country until the second week in March. Reparation was so very important a question that even disarmament must for the moment take a second place. The agreement on reparations must necessarily stand first. He, therefore, proposed (with reference to page 76, line 22 of A.J. 235)⁵ that the Germans should be given until the 15th March to promul-

⁴ See No. 2, pp. 19-20.

⁵ Note in filed copy: 'See Appendix 2.' The reference is to p. 109, line 12, below.

gate their legislation on disbandment. He did not know if the French legislation moved very rapidly, but the British legislature liked to take time, and he did not think that the Germans were in advance of other countries in this respect. Also the Germans should be given at least another month to give up two-thirds of the arms of the unauthorised formations (page 76, line 29 of A.J. 235).⁶ He thought that this date should be altered to the 15th April.

M. Briand replied that legislation did not pass quickly through the French Parliament.

M. Barthou remarked that it was for Marshal Foch to answer for the recommendations of the Military Committee. He, personally, was ready to accept all Mr. Lloyd George's proposals with this remark, namely, that extension had already been granted to Germany. The Peace Treaty gave a period for disarmament, extension had been granted at Spa; action could have been taken in regard to this on the 1st January, but the Allies refrained. Since the signature of the peace treaty, Germany had in fact obtained several extensions of time.

M. Briand said that he was not at all adverse to any reasonable proposal nor to this one, but in London the Germans would come forward full of claims, complaints and grievances. They would attack the Allies, who would have difficulty in holding their own. Therefore, the Allies should retain a certain margin for concessions.

Marshal Foch remarked that an extension of thirteen⁸ days in the case of the date for the promulgation of disbandment legislation was not a serious matter. It was for the Governments to say whether they inclined to the restrictive or to the lenient side.

M. Briand enquired what was the opinion of the conference?

MR. LLOYD GEORGE thought that it would be well to give the Germans a little more time. He was not sure that they would come to London in a hostile frame of mind, and it would be as well if they came in a reasonable frame of mind if the Allies could get them to do so.

COUNT SFORZA was in favour of the more distant date, but thought that leniency in this respect would add to the moral force of the Allies.

M. BARTHOU remarked that from the French point of view and having regard to French public opinion, it would be better to take a different, if remoter date and to stand by it than to have to announce a new date and another conference.9

MR. LLOYD GEORGE agreed with M. Barthou. Mr. Lloyd George asked whether the report of the Allied Military Committee was to be what the

⁶ i.e. p. 109 below, line 18.

⁷ i.e. by the Spa Protocol of July 9, 1920; see No. 1, n. 6.

⁸ The French Secretary's text here read: 'quinze jours'.

⁹ Note in filed copy: 'Note by the British Secretary.—As the result of an informal interchange of views between members of the conference while assembling for the afternoon meeting, some small alterations in the dates as proposed in the original draft were introduced into the final draft.'

Allies had agreed upon among themselves, or whether the Germans were to be told of the Allies' decisions.¹⁰

M. Briand stated that the interpretation of the French was that the sanctions in the report¹¹ should be notified to the Germans as well as the rest of the report.

Mr. Lloyd George remarked that the conference should consider this point. Personally, he thought it would be a mistake to notify the sanctions to the Germans. He would not object to their existence and nature being made known in the press. He thought the Germans would then be acquainted with them, but to communicate the sanctions officially, and threaten to occupy German territory at this stage, before the Allies knew whether the Germans were prepared to carry out the terms of the report, was very undesirable. Such threats should never be used except in extreme cases. It was quite possible the Allies might want to use them in regard to reparations. Having regard to what Marshal Foch had said the other day to the conference about the desirability of accumulating grievances, 12 he thought it would weaken the Allies' case to notify the sanctions to Germany. The Allies should send a note to Germany now giving our demands and the dates by which they should be complied with. There was no harm in the public knowing the terms of the sanctions, but they should not be communicated officially to the German Government. If the Allies found in London, or before the date of that meeting, that the Germans would refuse their demands, they could then communicate their sanctions, but it would be a mistake to do this before they knew for certain what attitude they would adopt.

M. Briand said he entirely shared Mr. Lloyd George's opinion. It was no good brandishing arms if you were not certain you would have to use them, but he asked that the conference should agree on the measures to be taken by them in the event of a German refusal. He thought that the Germans should be told what they would have to do. They would then learn all the sanctions from the press. It was most important that the Allies should be in agreement as to the nature of these sanctions.

MARSHAL FOCH pointed out to the conference that disarmament was not a new question. It had been before the Allied Governments for some years. Disarmament was in fact in course of execution. There was no new question of principle for decision by the conference. The terms of the discussion was [? were] fixed by the texts of various treaties, such as the Treaty of Versailles, the Spa Protocol¹³ and others. There was no need to come to any agreement with the Germans; the Allies were simply considering ways and means to carry out the proposals of the Military Committee. They had only to give directions to the Germans, and not to come to an agreement with them.

¹⁰ i.e. the 'Proposed Measures' and 'Measures to be taken' in Appendix 2: these sections were headed 'Decisions of the Allied Governments' in the final note to the German Government, see No. 12, n. 2.

¹¹ Note in filed copy: 'See extract from report, Annex I.' No Annex was attached to the filed copy: the reference was presumably to the last section, $\S 5$ (a)-(c), of Appendix 2.

¹² See No. 1, p. 8.

¹³ See No. 1, n. 6.

There had been only one step which had been effective at Spa, namely, the threat of the occupation of the Ruhr Valley. This had hung over the Germans like the sword of Damocles. The German Government was very reluctant to act and required pressure. It was surrounded by political parties, and had always referred to German internal politics as the excuse for its inaction.

MR. LLOYD GEORGE said that if the Germans did not comply with the Allies' demands, they could be told that the Ruhr Valley would be occupied, or indeed anything else. Personally, he held with Marshal Foch's view that if a sword were hanging over the German Government, they would disarm. He, therefore, thought the sanctions should be communicated to them. It had been stated that the note to the German Government would be weakened by a reiteration of the sanctions, but the threat of action had not been used since Spa. An armed man was stronger than an unarmed man. It was the opinion of the naval, military, and air experts that the sanctions should be communicated to the German Government.

M. Briand remarked that the conference had approved the sanctions mentioned in the report by the Allied Military Committee. They were only considering a question of procedure now, viz., when the sanctions should be communicated to the German Government. It was intended to have an interview with the Germans on all outstanding questions. Was it, therefore, necessary to communicate the sanctions now? He did not wish to hide their existence. The public would know of them, but he agreed with Mr. Lloyd George that the necessary sanctions could be communicated to the Germans face to face when the time came. Mr. Lloyd George remarked that an armed man was certainly stronger than an unarmed man, but the man who was continually brandishing a revolver was not nearly so dangerous as the man who kept it quietly in his pocket until it was wanted.

M. Barthou remarked that the first point was to know whether the Allies were agreed upon the nature of the sanctions. This he understood to be so. The second point was whether the sanctions should be referred to. He thought that if no reference was made to the measures indicated at Spa, the Germans would say that the Allies had given up thinking of those measures.

MR. LLOYD GEORGE said that the Spa Protocol referred only to the Ruhr Valley. Marshal Foch, however, proposed two more sanctions, and Lord Curzon had a fourth. It would be misleading to refer to the Spa Protocol, since such a reference would not give a clear idea of the Allies' intentions.

M. Briand was quite right. The public would know that the Allies had decided on sanctions, and Germany would know too. There was a great difference between their knowing this through the press, and their receiving a formal intimation of it from the Allied Governments. He thought the effect would be greater on Germany if a communication not containing a threat were sent to them, but at the same time it was generally known that the Allies had decided in the event of failure by the Germans to take action.

MARSHAL FOCH remarked that if the conference agreed that it was inadvisable to mention the sanctions in particular, reference might be made to

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the sanctions referred to in the naval section of the report by the Military Committee (A.J. 235, page 73,¹⁴ paragraph IV), which read as follows: 'In the event of the German Government not executing the above, or should it persist in its present methods of obstruction, the Allies may take any measures they consider necessary.'

M. Briand: This is a compromise on which we can all agree. The question is what to say in the letter to the Germans. They are to be asked to come to London. He did not think that in an invitation any mention should be made to [sic] sanctions. The Allies might content themselves with a phrase of a general character such as that mentioned by Marshal Foch, and simply say that all measures considered necessary by them would be taken without delay.

M. Briand then asked what was the nature of Lord Curzon's sanction.

LORD CURZON stated that three sanctions were already capable of use by the Allies: (1) the threat to prolong the occupation of the Rhine towns; (2) the occupation of the Ruhr district, or some other district in Germany; (3) the control of the customs. He wished to add a fourth sanction based on Germany's desire to enter the League of Nations. At the recent Geneva meeting, it had been proposed that Germany should be admitted to the League of Nations. The Great Powers had been unable to support this proposal because Germany had not carried out the terms of the peace treaty. But it would be impossible to keep Germany out of the League permanently, and she wished to come in. He, therefore, suggested that the fourth sanction should be added to those already agreed on, and that the support of the Allied Powers to the admission of Germany to the League should be made conditional on fulfilment of the disarmament terms.

As regards Marshal Foch's proposal to take the sanctions in the naval section, he thought that this would be read as a threat, and that the paragraph in itself was stiff and aggressive in tone. It was not clear why it had been included in the naval section only, and he suggested taking it out and putting in at the end of the report a clause reserving to the Allies complete liberty of action.

(Note: Lord Curzon's additional sanction, and his proposed clause are given in Appendix 3 of these minutes.)

Lord Curzon further stated that the threat of occupying the Ruhr was effective, because it was not included in the documents, but was made face to face across the table at Spa.¹⁶

MR. LLOYD GEORGE suggested that on page 73 of the report by the Military Committee (A.J. 235),¹⁷ paragraph IV should be omitted, and that all the sanctions should be dealt with in a separate document. In the present document there should simply be a general statement that the Allies had repeatedly made allowance for all the difficulties experienced by the German Government in carrying out their treaty obligations. The Allies are now offering

17 See n. 14 above.

¹⁴ i.e. p. 105 below.
15 See Journal of the first Assembly of the League of Nations, Geneva 1920, No. 31 (Dec. 16, 1920),

¹⁶ See Vol. VIII, No. 74.

a further extension of time, but they desire to express their sincere hope that the German Government would not render it necessary for the Allies to consider the grave situation which would arise if Germany further persists in her default.

M. Briand felt that the sanction in regard to the League of Nations could equally apply to reparations as to disarmament. He was further doubtful whether, in view of the absence of the United States of America (which he regretted) it was timely to discuss this question. The inclusion of a sanction referring to the relation between Germany and the League of Nations might hamper France in diplomatic discussions with the United States of America.

He was disposed to think that Mr. Lloyd George's proposed paragraph was not sufficiently vigorous. He suggested that a sentence might be inserted saying that the Germans should not oblige the Allies to enforce the sanctions which they had adopted.

MR. LLOYD GEORGE thought that the sentence proposed by him was, in any case, undesirable, and said that he had simply made his proposal to meet Marshal Foch's views. If the words were not strong enough he desired to withdraw them.

M. Briand suggested that the first part of Mr. Lloyd George's proposed sentence should be retained, and that after that the sentence should say that the Allies hoped the German Government would not place them under an obligation to carry out the measures which they had already agreed upon.

MR. LLOYD GEORGE said this alteration made no practical difference. LORD CURZON suggested the following clause:—

'In the event of the German Government failing to fulfil the above conditions, the Allies reserve to themselves complete liberty of action.'

M. Briand said that this was a delicate question for France. Her safety was involved, and the French were very sensitive on this point. The question was one of life and death. If the sanctions were not mentioned, Germany would think that the Allies were to meet again to consider them. If, however, she knew that no further meeting was necessary, the present demands of the Allies would carry much greater weight. It was not necessary to deal Germany a blow in the face, but it was necessary to let her know that there were sanctions and they would be enforced.

Mr. Lloyd George interrupted to remark that the question was not one of safety. Germany had no cannons or *minenwerfers*, and there was no danger of invasion of France before the 15th April.

M. Briand said this was not the question at issue. The French did not feel that Germany had abandoned her policy of aggression or the idea of reconstituting her military power. They thought that peaceful relations with Germany never could be resumed until she had abandoned that idea. Of course there was no question of France being invaded to-morrow.

COUNT SFORZA remarked that the questions of reparations and disarmament should be considered together as a whole. It was very likely that the complete and final decisions would have to be taken in London, and there

the threat would be much more forceful if the Allies had used a certain amount of patience and forbearance until the London meeting.

Marshal Foch said that he was there to defend the point of view that Germany should be disarmed. The question of disarmament was a very old one. It had been under consideration for two and a half years. Disarmament had begun immediately after the armistice, which had settled the question of principle. If the Allies wished to disarm Germany they must continue their present policy. If disarmament stopped now, Germany would soon re-arm. Unless the Allies continued to press Germany, disarmament would soon become mythical. He desired to draw [? to] the attention of the Allied Governments that by connecting the old question of disarmament with the question of reparations (which might take years to settle) they were running a risk of weakening their demands on disarmament.

If it was necessary to provide sanctions for reparation, the same sanctions used in the case of disarmament could be repeated, but he desired to insist on the necessity of attaching sanctions to the disarmament clauses, otherwise those clauses would become a dead letter.

MR. LLOYD GEORGE said that there was no question of the nature of the sanctions. This had been agreed to. The question was whether the sword should be continually brandished in front of Germany. There had been too much of this already, and he proposed, later, to raise the question of General Nollet's notes to the German Government which had been sent without any knowledge of the Allied Governments.¹⁸ No good would be done by that sort of thing which he, personally, did not consider right.

M. JASPAR said it would be easy to come to a compromise on this question, since the general principle had been agreed. The conference had already accepted the three sanctions enumerated in the report by the Allied Military Committee, and they had decided to add to them Lord Curzon's sanction.

The question for consideration now was the form of notification to the Germans. Marshal Foch had maintained that the sanctions would only have full effect if they were embodied in the note to Germany. He personally thought it was important to prevent public opinion thinking that the Allies had withdrawn from the position taken up at Spa, but, on the other hand, Germany must not be threatened yet. Arms used too often become blunt. He suggested that Mr. Lloyd George's proposal should be agreed to with the insertion of the words 'the Allies confirm their previous decision'.

M. Briand remarked that the paragraph would then be a mixture of Mr. Lloyd George's proposal and of that made by M. Jaspar, and that it would constitute the formula that would be transmitted to the Germans.

MR. LLOYD GEORGE stated that he presumed that this formula would appear at the end of the note to the Germans.

M. Briand assented.

(The paragraph suggested by Mr. Lloyd George with M. Jaspar's emendations, as finally approved, is reproduced as Appendix 4.)

18 See No. 12 below, minute 2, and Vol. X, pp. 458-79 passim.

LORD CURZON asked whether M. Briand accepted the sanction he had put forward.

M. Briand said that he had stated his objections to this sanction.

LORD CURZON said that he could see no difficulty in the way of accepting his sanction. It had nothing to do with America.

MR. LLOYD GEORGE stated that the French representative on the League of Nations meeting held at Geneva had stated that France was ready to admit Germany to the League if the Germans were willing to carry out their obligations under the treaty.

M. Briand withdrew his objections to Lord Curzon's sanction. He said he had simply given his own opinion which had been based on an anticipation of difficulties with the United States. He would not, however, insist. If Germany did show willingness to carry out the treaty, then the question of enforcing this sanction would not arise.

MR. LLOYD GEORGE remarked that the co-operation of the United States was essential to the success of the League of Nations, but if Germany did not carry out her treaty obligations, the Allies would not admit her to the League of Nations.

MARSHAL FOCH made a reference to General Nollet's notes to the German Government.

MR. LLOYD GEORGE remarked that it was too late to raise this question that morning, and he proposed to do so in the afternoon.

(The conference then adjourned further discussion until 3 p.m. the same day.) Hôtel Crillon, Paris, January 29, 1921.

APPENDIX I TO NO. II

SCHEME FOR PAYMENT OF GERMAN REPARATIONS

(i) Letter to the President of the German Delegation

(A.J. 247. Confidential.)

To the President of the German Delegation.

Sir, INTER-ALLIED CONFERENCE, PARIS, January 29, 1921
The Allied Conference which met at Paris from the 24th to 29th January, 1921, has taken the following decisions:—

- 1. As regards the disarmament of Germany, the Allied Governments have approved the conclusions formulated in the note attached hereto.
- 2. As regards the question of reparations, the Allied Governments have unanimously approved the proposals formulated in that document, also attached hereto.

The Allied Governments have on former occasions, and again to-day, in consenting to fresh delays in the matter of disarmament, had due regard to the difficulties which surround the German Government in the execution of the obligations which have resulted from the Treaty of Versailles. They have the firm hope that the German Government will not place the Allies, who confirm their

previous decisions, under the necessity of envisaging the grave situation which will be created if Germany persists in failing to meet her obligations.

The qualified delegates of the German Government will be invited to a meeting in London at the end of February, with the delegates of the Allied Governments.

Please, Sir, accept, &c.

BRIAND

(ii) Inter-Allied Conference at Paris

Resolution

Each of the Powers signing the annexed agreement of even date will communicate the said agreement to its representative on the Reparation Commission accompanied by the necessary instructions.

BRIAND
D. LLOYD GEORGE
SFORZA
ISHII
JASPAR

Paris, January 29, 1921.

(iii) Agreement between the Allied Powers for the Settlement of Certain Questions relating to the Execution of the Treaty of Versailles¹⁹

(A.J. 249.)

ARTICLE I

For the purpose of satisfying the obligations imposed upon her by articles 231 and 232 of the Treaty of Versailles, Germany shall, irrespective of the restitutions she is to make under article 238 and of any other obligation under the treaty, pay:—

- 1. Fixed annuities, payable half-yearly in equal parts as follows:—
- (a) Two annuities of 2 milliards of gold marks from May 1, 1921, to May 1, 1923.
- (b) Three annuities of 3 milliards of gold marks from May 1, 1923, to May 1, 1926.
- (c) Three annuities of 4 milliards of gold marks from May 1, 1926, to May 1, 1929.
- (d) Three annuities of 5 milliards of gold marks from May 1, 1929, to May 1, 1932.
- (e) Thirty-one annuities of 6 milliards of gold marks from May 1, 1932, to May 1, 1963.
- 2. Forty-two annuities running from the 1st May, 1921, equal in amount to 12 per cent. ad valorem of the German exports, levied on the proceeds thereof and payable in gold two months after the close of each half year.

In order to ensure the complete fulfilment of paragraph 2 above, Germany will give to the Reparation Commission every facility for verifying the amount of the German exports and for establishing the supervision necessary for this purpose.

19 See n. 2. above.

ARTICLE 2

The German Government will transmit forthwith to the Reparation Commission notes to bearer payable at the dates specified in article 1, paragraph 1, of the present arrangement; the amount of these notes shall be equivalent to each of the half-yearly sums payable under the said paragraph.

Instructions shall be given to the Reparation Commission with a view to facilitating the realisation by Powers which so demand the share to be attributed to them in accordance with the agreements in force between them.

ARTICLE 3

Germany shall be at liberty at any time to make payments in advance on account of the fixed portion of the sum owing.

Advance payments shall be applied in reduction of the fixed annuities provided for in the first paragraph of article 1. For this purpose the annuities shall be discounted at the rate of:—

8 per cent. until May 1, 1923.

6 per cent. from May 1, 1923, to May 1, 1925.

5 per cent. from May 1, 1925.

ARTICLE 4

Germany shall not directly embark on any credit operation outside her own territory without the approval of the Reparation Commission. This provision applies to the Government of the German Empire, to the Governments of the German States, to the German provincial and municipal authorities, and to any companies or undertakings under the control of the said Governments or authorities.

ARTICLE 5

In pursuance of article 248 of the Treaty of Versailles, all the assets and revenues of the Empire and of the German States shall be applicable to ensure the complete execution by Germany of the provisions of the present arrangement.

The proceeds of the German maritime and land customs, including in particular the proceeds of all import and export duties, and of any tax subsidiary thereto, shall constitute a special security for the execution of the present agreement.

No modification which might diminish the proceeds of the customs shall be made in the German customs laws or regulations without the approval of the Reparation Commission.

All the German customs receipts shall be encashed on behalf of the German Government by a receiver-general of the German customs appointed by the German Government with the approval of the Reparation Commission.

In case Germany should make default in any payment provided for in the present arrangement:—

1. All or part of the proceeds of the German customs in the hands of the receiver-general of the German customs may be attached by the Reparation Commission and applied in meeting the obligations in respect of which Germany has defaulted. In such case the Reparation Commission, may, if it thinks it necessary, itself undertake the administration and receipt of the customs duties.

2. The Reparation Commission may also formally invite the German Government to proceed to such increases of duties or to take such steps for the purpose of increasing its resources as the commission may think necessary.

3. If effect is not given to this formal invitation, the commission may declare the German Government to be in default, and may notify the Governments of the Allied and Associated Powers accordingly, who will then take such measures as they may think justifiable.

Done at Paris, the 20th day of January, 1921.

HENRI JASPAR AR. BRIAND K. ISHII D. LLOYD GEORGE S. [C.] SFORZA

APPENDIX 2 TO NO. 11

Marshal Foch, President of the Allied Military Committee of Versailles, to the President of the Supreme Council of the Heads of Governments

(A.J. 235. Secret.)

Paris, January 25, 1921

In accordance with the resolution of the Supreme Council dated the 24th January, Marshal Foch has the honour to forward to the heads of the Allied Governments the three reports framed and unanimously approved by the Commission of Naval, Air and Military Experts.

The commission was constituted as follows:—

President: Marshal Foch.

Naval Commission-

Great Britain, Admiral Charlton; Japan, Admiral Osumi; Italy, Admiral Orsini; France, Admiral le Vavasseur.

Air Commission—

Great Britain, General Groves; Japan, Colonel Sakai; Italy, Major Mazzolini; France, Captain Roper.

Military Commission—

Great Britain, Field-Marshal Wilson; Japan, General Watanabe; Italy, General Marietti; Belgium, General Maglinse.

Fосн

NAVAL CLAUSES

Ι

The naval experts propose:—

In view of the failure of the German Government to execute the Protocol of Spa of the 9th July, 1920, regarding—

Paragraph (b). The surrender of the documents asked for,

Paragraph (c). The cessation of obstruction,

Paragraph (d). The delivery and surrender of war material.

And further, that violations of articles 188 and 191 [of the Treaty of Versailles] concerning the total destruction of submarines and the construction of new ones have occurred, the German Government is summoned—

1. To complete the entire surrender of the documents asked for by the 28th February, 1921.

- 2. To complete the disarmament of all constructions in reserve by the 30th April, 1921.
- 3. To complete the destruction of all war construction in process of manufacture by the 31st July, 1921, except those of which the transformation has been authorised, to carry out the immediate and complete demolition of every submarine or portion of submarine and to cease the construction of such immediately.
- 4. To complete the surrender and destruction of all surplus war material under article 192 by the 30th November, 1921.
- 5. To surrender unconditionally to the Allies the whole of the equipment of light cruisers and destroyers demanded by the Council of Ambassadors in their letter of the 20th September, 1920, and in accordance with the Council's decisions.²⁰

Material not coming under article 192 will be credited to reparations.

H

That the German Government be also informed that the I.A.N.C.C.²¹ will continue to decide what is war material as the Council of Ambassadors has already decided on the 3rd September 1920. Such material must be surrendered without any fresh delays in accordance with article 192 in order that it may be destroyed or rendered useless; in all cases where this material might, in the opinion of the I.A.N.C.C., be really used for commercial purposes, the I.A.N.C.C. will note the same and return such material to the German Government, either after having rendered it useless for military purposes, in its opinion, or in making certain that it will not be used for such purposes.

III

In the opinion of the naval experts the laws made by the German Government for executing the naval clauses of the Treaty of Peace are in certain cases insufficient. The German Government will be summoned to rectify this.

IV

In the event of the German Government not executing the above, or should it persist in its present methods of obstruction, the Allies may take any measures they consider necessary.

Aerial Clauses

Infringements

1. Germany has not surrendered all the aeroplanes, hydro-aeroplanes, motors, balloons, hangars (to be dismantled, destroyed, despatched or delivered (out of the country)), balloon accessories, wireless telegraph and photograph equipment, hydrogen factories and reservoirs, machine guns and other aeronautical material (article 202).

It may be noted with regard to the most important of this material there remain to be surrendered in accordance with the estimates from English sources—

1,400 aeroplanes and 5,000 engines.

²⁰ See Vol. X, Nos. 288 and 297. ²¹ i.e. Inter-Allied Naval Commission of Control.



- 2. Since the 10th July, 1920, Germany has recommenced aeronautical manufacture in spite of the decision taken by the Allied Governments at Boulogne on the 22nd June,²² and she has attempted to export the material so manufactured in spite of the formal orders of the Commission of Control (article 201).
- 3. Germany has refused to furnish the compensation demanded by the Allies for the seven (7) Zeppelins destroyed in 1919 (article 202).
- 4. Germany has not yet paid the sum of 25,000,000 M. still due as compensation for material improperly exported (article 202).
- 5. Germany claims to have the right to utilise aircraft in her police formations (article 198).

Measures to be Taken

- 1. The search for hidden material will be facilitated by the German Government and the surrender provided for by article 202 shall be finished before the 15th May, 1921.
- 2. Germany shall assure the execution of the decision of Boulogne, i.e., no manufacture or import of aeronautical material shall take place until three months after the date on which the I.A.A.C.C.²³ shall declare that article 202 has been completely complied with.
- 3. Germany must furnish the compensation demanded for the destruction of Zeppelins; the detail of such compensation will be fixed by a special contract.
- 4. Germany must pay the sum of 25,000,000 M. referred to above before the 1st April, 1921.
- 5. Germany shall conform to decision C.A. 91-III of the Conference of Ambassadors dated the 9th [8th] November, 1920, regarding the prohibition of the use of aircraft in police formations.²⁴

In addition, in view of the extreme facility with which the rapid transformation of civil aviation to military aviation can be carried out, Germany shall accept the definitions established by the Allied Powers which shall distinguish civil aviation from military aviation forbidden by article 198. The Allied Governments shall assure themselves by constant supervision (to be arranged) that Germany is fulfilling this obligation.

MILITARY CLAUSES

Infringements

- 1. Reichsheer (army of 100,000 men)
- (a) Legislation.—The final draft of the military law drawn up by the German Government has not yet been passed. It contains, moreover, certain important omissions, especially with regard to the abolition of compulsory military service, which has been laid down for the Reich, but not for each separate German State.

In addition, this draft contains provisions for certain supplementary troops, and for other military organisations which are not clearly defined.

(b) Organisation.—The effectives of certain services and a considerable number of military non-effectives, are not included in the army of 100,000 men.

The number of officers and military officials belonging to the Central Administration (Ministry of the Reichswehr and the Administrative Departments attached

- ²² See Vol. VIII, No. 36, minute 3.
- 23 i.e. Inter-Allied Aeronautical Commission of Control.
- 24 See Vol. X, No. 314, §10.

to it) is considerably in excess of the number authorised by the treaty (916 instead of 300).

2. Surrender and Destruction of War Matériel

In spite of the large quantities of war matériel surrendered and destroyed up to the present, the disarmament of Germany is still far from being completed. The following points are of special importance:—

- (i) An important surplus exists on account of the fact that the reduction of the strength of the army to 100,000 men has not been accompanied by a surrender of war *matériel* proportionate to this reduction.
- (ii) A large quantity of war matériel is collected in units, in depots, or in arsenals. Moreover, the German Government claims to retain, under the guise of matériel required for purposes of replacement and training, quantities considerably in excess of those fixed by the treaty.
- (iii) Finally, a considerable number of arms remain in the hands of the civil population.

Moreover-

- (iv) The German Government, in its note of the 24th December, has refused to carry out the decision of the Conference of Ambassadors of the 8th November, 25 and has delayed surrender of the artillery material of Cüstrin, Lotzen-Boyen and Königsberg, and the surrender of heavy artillery in excess of that sanctioned by the I.A.M.C.C.26
- (v) The German Government, in its note of the 5th January, has demanded permission to keep a large quantity of matériel not authorised by the treaty for the armament of land fortresses, including, more especially, 2,600 machine guns (a number greater than the allotment authorised for the army of 100,000 men).
- (vi) The German Government has refused to carry out the decision of the Conference of Ambassadors of the 27th December,²⁷ and has appealed to the Allied Governments against this decision. It has thus postponed the surrender of *matériel* not authorised for coast fortresses. It claims the retention of 1,086 guns instead of 420 authorised by the I.A.M.C.C.
- (vii) Further, the abolition of establishments and military factories, which comes under article 168 of the treaty, and the destruction or conversion of machinery used for war purposes, under article 169, have not been carried out in accordance with the conditions laid down.

3. Unauthorised Organisations

The disarmament of unauthorised organisations has only just been begun. The abolition of these organisations has not been carried out.

The German Government, in its letters of the 9th and 22nd December, claims the right to retain these organisations in Bavaria and in East Prussia, and to postpone their disarmament to an indefinite date, which it desires to fix itself.²⁸

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²⁵ Cf. ibid., No. 337. For the text of the German Government's note, see Deutscher Geschichtskalender, Ausland, vol. ii, Juli-Dezember 1920 (Leipzig, 1928), pp. 65-67.

²⁶ i.e. Inter-Allied Military Commission of Control.

²⁷ See Vol. X, No. 342.

²⁸ See ibid., No. 330, and cf. ibid., Nos. 339 and 341.

4. Sicherheitspolizei

The majority of the arms not authorised for the Sicherheitspolizei have been surrendered. But the Sicherheitspolizei has been simply transformed into the Schutzpolizei (new designation of the German police force), whilst retaining its former composition and organisation.

Thus the disbandment laid down at Boulogne has not been carried out.

Proposed Measures

1. With regard to the Reichsheer (army of 100,000 men)

- (a) To summon the German Government to expedite the passing of the new draft of the military law (Wehrgestez [Wehrgesetz]) which is at present before the Reichstag, after having inserted in it the modifications necessary in order to make it conform to the conditions of the peace treaty, more especially with regard to the question of compulsory service, which must be abolished, both with regard to each State and also with regard to the Empire (Reich). These measures must be taken before the 1st March, 1921.
- (b) To make the details of the organisation of the Reichsheer (army of 100,000 men) conform to the text of the treaty, more especially regarding the abolition of the surplus of officers and officials of the Central Administration. These measures must be taken before the 1st April, 1921.

2. With regard to War Matériel

- (a) With reference to war matériel in general, it is essential to expedite the surrender of the remainder of this matériel, especially:—
 - (i) That matériel arising from the reduction of the German army to 100,000 men.
 - (ii) The matériel collected in units, in depots and in arsenals, and in addition that which the German Government demands to be retained for purposes of replacement and training.
 - (iii) The arms still in the hands of the civil population.
- (b) With reference to the Guns constituting the Armament of Land Fortresses.—To reply to the German note of the 24th December that no armament can be retained at Cüstrin and Lotzen-Boyen, and that the fortress of Königsberg can only be allowed to retain the armament authorised by the I.A.M.C.C., i.e., 22 heavy guns.
- (c) With reference to the Armament, other than Guns, of the Land Fortresses.—To reply to the German note of the 5th January to the effect that no other armament can be sanctioned for these fortresses except that granted under the terms of the treaty (article 167).
- (d) With reference to the Armament of Coast Fortresses.—To uphold the decision of the Conference of Ambassadors of the 27th December, fixing the armament of these fortresses in accordance with the resolutions of the I.A.M.C.C. (i.e. 420 guns instead of 1,086 demanded by the German Government).

All the measures laid down under paragraphs (a), (b), (c) and (d) above must be carried out by the 1st March, 1921.

- (e) With reference to Factories.—To summon the German Government—
- 1. To recognise the classification of the factories which are to be authorised in future to manufacture war material, as laid down by the I.A.M.C.C. and I.A.N.C.C.

2. Thereupon to carry out without delay the necessary alterations and the conversion of unauthorised machinery used for war purposes, in accordance with articles 168 and 169 of the treaty.

3. With regard to Unauthorised Organisations

To reply to the notes of the 9th and 22nd December of the German Government, upholding the principles of disarmament and disbandment of these organisations laid down by the Spa Protocol and the Boulogne note (in execution of articles 167 and 168 of the treaty), and fixing the following time limits which are necessitated by the actual situation:—

- (i) The promulgation of legislation decreeing the disbandment of all unauthorised formations, and prohibiting their re-establishment, under penalty of 'sanction,' must take place before the 1st March, 1921. The disbandment of all these organisations must be carried out as rapidly as possible, in order to be completed by the 1st July at the latest.
- (ii) The arms belonging to these organisations in the whole German territory will be surrendered under the following conditions:—
 - (a) All weapons other than small arms, and two-thirds of the small arms declared by the organisations, must be surrendered by the 15th March, 1021.
 - (b) All remaining arms and ammunition to be surrendered by the 1st July, 1921.

4. With regard to the Sicherheitspolizei

To reply to the note of the German Government of the 3rd January, confirming the decisions of the Boulogne note of the 22nd June, to the effect that the police must retain its characteristics of a local organisation, and must in no way whatever possess a centralised organisation, and must not have an armament in excess of that laid down by the I.A.M.C.C.

The German Government must also be told that the strength of its police force must at no time exceed a total strength of 150,000 men.

- 5. Finally, it is clear that these measures will be all the more effective if they are accompanied by the communication to the German Government of a 'sanction,' which will be exacted in case of non-fulfilment of these conditions, e.g.:—
 - (a) The date from which the time limits for the occupation of Rhenish territory are to begin will only be reckoned from the date on which the above measures shall have been carried out.
 - (b) The occupation of a fresh portion of German territory, whether the Ruhr district or some other area.
 - (c) The application of customs or other measures in the occupied Rhenish territory.

Great Britain. Japan. Italy. Belgium.

FIELD-MARSHAL GENERAL GENERAL MAJOR-GENERAL
WILSON. WATANABE. MARIETTI. MAGLINSE.

President: MARSHAL FOCH.

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Appendix 3 to No. 11

(i) Lord Curzon's Additional Sanction

(d) The support of the Allied Powers to the admission of Germany to the League of Nations will be conditional upon the fulfilment of these conditions.

(ii) Lord Curzon's Draft re Sanction

In the event of the German Government failing to fulfil the above conditions, the Allies must reserve to themselves complete liberty of action.

APPENDIX 4 TO No. 11

Mr. Lloyd George's Draft on Sanctions

(As finally approved)

The Allies have repeatedly made allowances for the difficulties experienced by the German Government in carrying out its treaty obligations. They are now giving a further extension of time, but they sincerely trust the German Government will not render it necessary for the Allies, confirming their previous decisions, to consider the grave situation which will arise if Germany further persists in her default.

No. 12

I.C.P. 157] British Secretary's Notes of an Allied Conference held in the Salle de l'Horloge, Quai d'Orsay, Paris, on Saturday, January 29, 1921, at 3.30 p.m.

Present: France: M. Briand (in the Chair), M. Doumer, M. Loucheur, M. Barthou, M. Berthelot, M. Seydoux, M. Fromageot, M. Cheysson, M. Tanneny [Tannery], M. de Margerie; secretaries, M. Massigli (Secretary-General), M. Bressy, M. Chastenet.

British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister; The Rt. Hon. The Earl Curzon of Kedleston, K.G., &c., Secretary of State for Foreign Affairs; The Rt. Hon. Sir Laming Worthington-Evans, Bart., M.P., The Rt. Hon. W. S. Churchill, M.P., The Rt. Hon. Lord D'Abernon, Sir John Bradbury, Sir Eyre Crowe, Sir Cecil Hurst, Sir H. Llewellyn Smith, Mr. Philip Kerr, Mr. H. E. Fass, Mr. Harold Nicolson, Mr. Wigram, Mr. E. Allden; SECRETARIES, Sir Maurice Hankey, Mr. R. B. Howorth.

Belgium: M. Jaspar, Colonel Theunis, M. Delacroix; SECRETARIES, Viscount Davignon, Viscount Terlinden.

Italy: Count Sforza, Count Borin [Bonin] Longare, Marquis Selvaggo [Salvago]-Raggi, Marquis della Torretta, Signor Giannini, Signor d'Amelio; secretaries, Count Vannutelli-Rey, Signor Galli, Signor Garbasso.

Japan: Viscount Ishii, Mr. Mori, Mr. Sekiba, Mr. Arai; secretaries, Mr. Sawada, Mr. Debuchi.

Military, Naval and Air Experts

France: Marshal Foch, General Weygand, General Nollet, General Parent, Admiral [le] Vavasseur, Rear-Admiral Fatou, Captain Roper.

British Empire: Field-Marshal Sir Henry Wilson, Admiral Charlton, General Bingham, General Thwaites, General Groves, Commander Lucas.

Belgium: Colonel Termonia, Lieut.-Colonel Tasnier.

Italy: General Marietti, Commander Mazzolini, Admiral Orsini, Commander Ruspoli.

Japan: General Watanabe, Admiral Osumi, Colonel Shibuya.

1. Disarmament of Germany

M. Briand said that it would no doubt be convenient if the conference was now to approve formally the report of the military, naval and air experts in its final form.

The conference accordingly approved the report submitted by Marshal Foch, on behalf of the Allied military, naval and air experts, as the basis of a note to be addressed to the German Government on the subject of their failure to execute the military, naval and air clauses of the Treaty of Versailles, and the Spa Protocol of the 9th July, 1920. Marshal Foch's report was not to be communicated to the Germans.

The text of the note sent to the German Government is attached as Appendix 1.2

2. Inter-Allied Commission of Control in Germany

MR. LLOYD GEORGE said that he thought the conference would like to dispose of all outstanding military questions before it, and he suggested that Lord Curzon should raise a question respecting the Inter-Allied Military Commission of Control in Germany.

- ¹ i.e. Appendix 2 to No. 11 (A.J. 235).
- ² Not here printed. This Appendix (A.J. 248) contained:
 - (a) M. Briand's letter printed as Appendix 1 (i) to No. 11.
 - (b) the 'Proposed Measures' of the Allied military experts' report in No. 11, Appendix 2, pp. 108-9, amended by (i) new heading 'Decisions of the Allied Governments' (see No. 11, n. 10); (ii) omission of § 5; (iii) relevant changes of date (see No. 11, n. 9) and wording throughout—e.g. §§ 1 (a) and 2 (e) now began: 'The German Government is summoned'; § 3 (ii) (a) 'with their ammunition' was inserted after 'other than small arms' and 'as well as this proportion of ammunition' after 'organisations'; the dates in §§ 1 (a), 1 (b), 2 (d), 3 (i) and 3 (ii) were now as follows: 15th March; 15th April; 28th February; 15th March; 30th June; 31st March; 30th June.
- (c) the Allied naval experts' report §§ I-III (see ibid., pp. 104-5) with small verbal amendments.
- (d) the Allied air experts' report (see ibid., pp. 105-6) amended by e.g. (i) substitution of heading 'Decisions of the Allied Governments' for 'Measures to be Taken'; (ii) penultimate sentence reading: 'In addition, with a view to ensuring the application of Article 198 of the treaty forbidding Germany to possess any military or naval aviation, Germany shall accept . . .'; (iii) omission of '(to be arranged)' in following sentence; (iv) addition of a final paragraph identical with No. 11, Appendix 4.

A French text of the note to the German Government, with its annexes, is printed in *Documents*... réparations, No. 11 (pp. 115-21).

LORD CURZON said that the question which he desired to raise was one which had reference solely to the political aspects of action which might be taken by the Inter-Allied Military Commission of Control in Germany. He desired, in the first place, to pay a very warm tribute to the highly efficient manner in which the commission had carried out its very difficult and complicated task of supervising the execution by the German Government of the disarmament provisions of the Treaty of Versailles. The success of the commission must be attributed to the cordial manner in which the various Allied representatives had worked together under the able chairmanship of General Nollet, and he was entirely satisfied that from the military point of view the commission had carried out its duties in a manner which gained the approval of the most exacting critics. In the course of its labours the commission had from time to time to present letters to the German Government on disarmament, and it might occasionally happen that these letters raised political issues of the first importance. This difficulty had, in fact, arisen in the case of letters addressed by General Nollet to the German Government on the 11th and 23rd December last.³ So far as he (Lord Curzon) was aware, none of the Allied Governments had been consulted before these letters were despatched. He himself had only learned of the second letter through the newspapers. From the military point of view the messages in question were entirely legitimate, and, no doubt, justifiable, but, in his opinion, such messages should not have been issued until the Governments concerned had been given an opportunity of measuring the political consequences which might arise. Lord Curzon proceeded to suggest that if in future General Nollet found it necessary to address a note to the German Government on the question of disarmament, which note raised or might raise political issues, he should, in the first instance, submit the note in draft to the Ambassadors' Conference in Paris, which could, if necessary, refer the matter to the Allied Governments. This procedure would enable the political consequences to be carefully examined, and at the same time would entail the minimum amount of delay. Another method might be for each Allied Government to instruct its delegate upon the commission to refrain from agreeing to the terms of any note directly or indirectly involving political issues until he had communicated with his Government and obtained their concurrence. The adoption of this alternative would, however, doubtless result in delays, and, moreover, might be construed by the Germans as a proof of division among the delegates on the commission, and consequently might impair the authority of the commission, which would be a most deplorable result. On the whole, therefore, Great Britain would prefer the adoption of the suggested reference of the draft notes to the Ambassadors' Conference in Paris.

M. Briand said that it was with very great pleasure that he had listened to Lord Curzon's glowing tribute to the labours of the commission, and to the military and personal qualifications of General Nollet. He was also glad to be able to say that the French Government entirely concurred with the views of the British Government in this matter. He felt sure that he was

³ See Vol. X, No. 334 and n. 1, and No. 343, n. 2.

correctly interpreting General Nollet's views when he said that General Nollet had no wish to raise political issues or to embarrass the Allied Governments in any way whatever. He (M. Briand) felt that whatever procedure was adopted should be one which admitted of the least possible delay, and he agreed that Lord Curzon's suggested reference of draft notes to the Ambassadors' Conference satisfied this condition.

GENERAL NOLLET desired to associate himself with the views expressed by M. Briand. He only wished to add that in the particular cases to which reference had been made he had despatched the notes without submitting them to the Allied Governments because he had thought that the questions dealt with in the notes had already been before the Supreme Council, and that his commission was acting within the instructions given by the council. On reconsideration, it was possible that his views on this point had been erroneous, but he wished to assure the meeting that he never had the least intention of sending notes to the Germans which raised new political issues.

GENERAL BINGHAM said that, as chairman of the sub-commission dealing with the destruction of material, he must share with General Nollet the responsibility for the action which had been criticised. He could assure the conference that General Nollet had signed the notes in question with the full approval and consent of his colleagues on the commission. Had it been realised at the time that the notes might have political consequences, they would certainly never have been despatched without a reference to the Allied Governments.

The conference agreed—

That if, in future, the Inter-Allied Military Commission of Control found it necessary to address a note to the German Government which raised, or might raise, political issues, the note should be submitted in draft to, and its terms should be approved by, the Ambassadors' Conference in Paris after reference, if necessary, to the Allied Governments, before the text of the note was transmitted to the German Government.

In reply to an enquiry by Mr. Churchill,4 it was agreed—

That the new agreed procedure should not interfere with ordinary matters of military routine.

(The military, naval and air experts withdrew, and the reparation experts entered the conference.)

3. Reparation

M. LOUCHEUR reminded the conference that the following documents were now ready for final approval:—

- (i) The agreement between the Allied Powers on the subject of reparation.
- (ii) The resolution to be sent to the Allied representatives on the Reparation Commission.
- (iii) The instructions to be given to the delegates at the Brussels Conference.
 - 4 Secretary of State for War and Air.

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M. Loucheur, continuing, said that as the printed text of the agreement would not be ready for some little time, he thought that it would be convenient for the conference to consider, in the first place, the instructions to be given to the delegates at the Brussels Conference, and he proceeded to read the instructions in question, clause by clause.

With regard to clause 2, it was generally agreed that it would be necessary to have some conference with the representatives of the American Government so as to endeavour to persuade that Government to assent to the reduction of the cost of its army of occupation, and the conference accepted a suggestion by Mr. Lloyd George that if the American Government refused to participate in the arrangements indicated in clause 2 of the instructions, that Government should be requested to recover the military expenses of her army of occupation from the Germans direct.

After some further discussion it was agreed-

That the words in line 9 of clause 2, 'sera limitée à', should be altered to 'ne passera pas le maximum de.'

Subject to this modification, and to the alteration in line 3 of clause 8 of the words 'séquestre des' to 'liquidation,' the conference approved the instructions to the delegates of the Brussels Conference.

A copy of the English text of the instructions in final form is attached (see Appendix 2).

The conference then approved the resolution to be sent to the Allied representatives on the Reparation Commission. (A copy of the English text is attached as Appendix 3.)⁵

Reparation Agreement

The conference accepted the agreement, a copy of the English text of which, as duly executed by the heads of the Allied delegations, is attached hereto (see Appendix 4).6

4. Declaration of Allied Unity

M. Briand said that he had a proposal to make on a matter to which he attached considerable importance. He thought that it was very desirable to publish to the world a statement as to inter-Allied agreement on the various questions before the conference. Rumours had been circulated that the Allies were in disagreement on certain vital questions, and, in his opinion, it was most important that those rumours should be contradicted in as authoritative a manner as possible. He accordingly proposed that the following statement should be issued forthwith to the press:—

'The Allies, convinced that their close union is as necessary to the preservation of peace as it was in assuring the successful issue of the war, are resolved to allow nothing to impair such union. They consider this union

5 Not here reprinted. It was the same as Appendix 1 (ii) to No. 11.

6 Not here reprinted. It was the same as Appendix 1 (iii) to No. 11. For a French text see Documents . . . réparations, No. 11, Annexe II, pp. 122-4.

as the surest guarantee of the peace of the world, and of the execution of the treaty by fidelity to the international engagements and sanctions agreed to.'

This proposal was unanimously adopted.

5. Report of the Committee on Austria7

M. LOUCHEUR, in submitting the report of the Committee on Austria, explained that the committee had proceeded on the basis (suggested in [?by] Mr. Lloyd George) of a minimum amount of interference and control by the Allied and neutral Governments. The committee had come to the conclusion that it would be quite out of the question to interest private enterprise in the financial restoration of Austria unless and until the triple lien on the Austrian State assets in respect of (i) the cost of the army of occupation, (ii) the relief credits already furnished by the Allied and Associated Powers and certain neutral States, and (iii) the reparation claims under the Treaty of Saint-Germain, were abandoned or postponed to the utmost possible limit. It was, in the committee's opinion, out of the question for any financial group or groups to touch this matter so long as these prior charges remained. The Reparation Commission would have to take the necessary steps so far as certain of these charges were concerned. The relief credits, which, as regards priority, came immediately after the cost of the army of occupation, were estimated at about £31,000,000, of which £11,000,000 represented the share of the United Kingdom, £10,000,000 that of the United States, and the remaining £10,000,000 the contributions of France, Italy and certain other Allied and neutral States. It was clear that the neutrals, and particularly the United States, would have to be asked to forgo their priority. The committee were unanimously of opinion that a conference of Austria and of the 'successor States,' with representatives of the principal Allies, should be immediately convoked, to endeavour to promote freer trade and communications within the territories of former Austria-Hungary.

In this connection Count Sforza informed the conference that the meeting of this conference was arranged ten or twelve days ago, and would take place at Porto Rosa, near Trieste, with an American⁸ as president.

LORD CURZON said that he had not been informed of the arrangements for this meeting, and that the important thing was to secure that all the 'successor States' freely assented to the place of meeting and would in point of fact agree on no other meeting-place. He saw no objection to an Italian president if the meeting took place on Italian soil.

M. LOUCHEUR then proceeded to explain his scheme for the restoration of Austrian finances, a copy of which is attached to the report of the Committee on Austria. This scheme contemplated the establishment of an industrial, commercial and banking corporation, with a capital of 200,000,000 fr. to

- ⁷ See Appendix 5 below. For the setting up of the Committee, see No. 3, p. 28.
- 8 The typescript text here read 'Italian'.
- 9 Not attached to filed copy; cf. § 11 of Appendix 5.

be subscribed by Allied, associated, neutral and successor States' commercial and financial interests. This corporation would undertake a double rôle in the future of Austria, and would at once carry on industrial and commercial operations of the widest character, as well as acting as a bank and financial house. His scheme also contemplated the setting up of a Committee of Financiers, selected by Austria with the consent of the Great Powers.

LORD CURZON thought that it would not be desirable for the Paris Conference to pledge itself in advance to M. Loucheur's scheme. He pointed out that the Committee on Austria had recommended that the scheme in question should be examined by capitalist groups in the principal Allied countries, and he suggested that the conference might well endorse this recommendation. As regards the proposed Board of Financial Advisers, he wished to know whether the Committee on Austria considered that the present Austrian Government was sufficiently strong to choose a suitable board.

M. LOUCHEUR replied that it was not possible for anyone to give a definite reply to Lord Curzon's question at the present time.

LORD CURZON, resuming, drew attention to the recommendation regarding the abandonment or postponement by the Allies of their liens on Austrian assets, and pointed out that the first charge on all Austrian assets was the cost of the army of occupation, which was mainly Italian. The British Government was quite prepared to consider this recommendation, provided the other interested Powers agreed to release their liens pari passu with Great Britain.

COUNT SFORZA said that Italy had the most vital interest in the quick and permanent recovery of Austria, and was quite ready to make heavy sacrifices, provided she was satisfied that the economic position of Austria could be restored. He was quite prepared to examine the committee's proposals, particularly those dealing with the abandonment or postponement by the Allies of their liens on the Austrian assets, but it must not be forgotten that the maximum sacrifices would have to be made by Italy, which had incurred a heavy charge in respect of the cost of her army of occupation, and had also given Austria credit for foodstuffs, &c. He could not at the moment say that the Italian Government would do more than favourably examine the proposals, provided they received an assurance from the Reparation Commission that that commission would take steps to remedy the financial chaos of Austria in the directions open to it. With regard to the suggested conference at Porto Rosa, Count Sforza informed the conference that it was not proposed that the Allied delegates should have a vote, but that they should be present in a consultative and advisory capacity. He himself did not see that any useful purpose would be served by giving the foreign delegates votes on matters with which Austria and the 'successor States' were solely concerned. He thought that the presence of the foreign delegates would be most helpful and would go far to make the conference a success.

LORD CURZON said that if Great Britain was to send a representative to this conference he must be a representative in the fullest sense of the term, and he thought it would be most undesirable for the Paris Conference to lay down here and now that the Allied representatives at the Porto Rosa Conference were not to have votes. He personally should be disposed to give them the right to vote and to trust them to use the right properly.

Count Sforza said that he was not prepared to insist on his point as regards voting, and he would be quite willing to accept Lord Curzon's suggestion.

After some further discussion the conference agreed—

To take note of the recommendations contained in the report of the Committee on Austria, to approve in principle the general policy underlying those recommendations and to suggest that the Governments concerned should give further consideration to the whole question in the light of the committee's report.

A copy of the English text of the report of the Committee on Austria is attached (see Appendix 5).

6. Disarmament and Reparation Sanctions

M. Briand said that the conference should, in his opinion, consider the question of the sanctions to be applied in the event of Germany's defaulting either with regard to disarmament or with regard to reparation. He thought that it must be clearly understood that the Allies were not issuing any menace or threat to Germany, and that they would not take such action unless and until they were fully convinced that Germany had definitely decided not to carry out the treaty. In this matter the French Government was in the fullest agreement with Mr. Lloyd George.

LORD CURZON reminded the conference of his suggestion that the fulfilment of her obligations should be made a condition of the Allies agreeing to the entrance of Germany into the League of Nations.¹⁰ A draft clause submitted by M. Berthelot conveyed the impression that Germany would have to carry out every single item demanded by the Paris Conference before the Allies would agree to remove their ban on her joining the League of Nations. This was not the proposal made by him to the conference, and, rather than accept M. Berthelot's draft, he wished to withdraw the suggestion he had originally made.

M. Briand said that it had never been the intention of France to compel Germany to fulfil all and every treaty obligation before allowing her to enter the League. To adopt such an attitude would not, in his view, be an honest policy; but, on the other hand, he thought that Germany should certainly know that if she did not give satisfaction in essentials the French Government would continue to maintain the policy adopted by them at Geneva, and refuse to consent to her admission to the League. He could not believe that Lord Curzon meant to convey that if Germany carried out the disarmament arrangements but failed to carry out the reparation arrangements she must then be admitted to the League.

LORD CURZON repudiated this interpretation of his views.

¹⁰ See No. 11, p. 98. ¹¹ See No. 11, n. 15.

Ultimately the conference agreed to the following formula:—

If the German Government fail to make the necessary arrangements to carry out the demands formulated by the Allies at this conference in respect of either disarmament or reparations, the following sanctions shall apply:—

- (a) The date from which the time limits for the occupation of Rhenish territory are to begin will only be reckoned from the date on which the above measures shall have been carried out.
- (b) The occupation of a fresh portion of German territory, whether the Ruhr district or some other area.
- (c) The application of customs or other measures in the occupied Rhenish territory.
- (d) The support of the Allied Powers to the admission of Germany to the League of Nations will be conditional upon the fulfilment of these conditions.
- 7. M. Briand said that the conference had now come to the end of its labours, and that he wished, on behalf of the French Government, to express his great appreciation of the success which had attended the meeting. He was indeed pleased and proud to be able to participate in the important progress realised by this conference, and to have been instrumental in helping to reach an agreement, and so render services, not only to the Allied countries, but to mankind in general. The conference had succeeded by mutual and real concessions, and he had to thank his colleagues most cordially for the assistance they had given him, without which he was convinced that the success of the conference would have been nothing like so complete.

MR. LLOYD GEORGE added that the conference had indeed good reason to congratulate itself on a remarkable achievement; the fact that they had been so successful was due to a very large extent to the admirable way in which M. Briand had presided over the conference. Although he assumed office only a fortnight ago, he had shown the greatest skill, knowledge and ability in guiding their deliberations. It had been his (Mr. Lloyd George's) painful duty on several occasions to criticise M. Briand's proposals, but he had done it for his own good and because of his affection for him, with what good results the world could now see. He (Mr. Lloyd George) also desired to thank M. Doumer and M. Loucheur, and his other colleagues, for their help in bringing the conference to so successful an issue.

(The proceedings then terminated.)

2, Whitehall Gardens, S.W. 1, January 31, 1921.

APPENDIX 2 TO NO. 12 GERMAN REPARATION

Instruction to the Brussels Conference Delegates

(As approved by the Allied Conference in Paris, on January 28 [? 29], 1921.) (Secret.)

1. The Brussels Conference delegates, after hearing the German delegates, will

settle and determine in respect of the fixed portion of each of the first five annuities a minimum amount to be paid in cash.

The German delegates have already made it known unofficially that after five years they expect to make payments wholly in cash.

- 2. The Brussels Conference delegates will constitute, with the inter-Allied technical delegates, a special committee which will meet forthwith in order to submit definite solutions of any/all questions relating to the cost of the armies of occupation, it being understood that in accordance with the suggestions made by the experts at the Brussels Conference, the aggregate cost total which Germany will have to repay to the Allied Governments in respect of the armies of occupation is not to exceed the sum of 240,000,000 of gold marks per annum. The committee will determine whether this sum, which will be payable irrespective of the annuities, shall or shall not include requisitions made in the occupied territory. Strict regulations shall be made with regard to requisitions.
- 3. The Brussels experts will submit any simplifications of the different heads of reparation and any economies in the other financial obligations imposed on Germany which may be feasible (inter-Allied commissions, subsidiary charges, &c.).
- 4. The draft declaration to the German Government as to economic relations (Annex 6 to the General Report)¹² will be re-examined and re-submitted to the Allied Governments before being transmitted to the German Government.
- 5. The Brussels experts will submit definite proposals as to the possibility later on of a grant of tonnage to the German Government, either by way of a waiver by the Allies under certain conditions of the new tonnage which Germany is bound to construct for their benefit, or by way of the abandonment or restitution to Germany of part of the tonnage already handed over. It must be understood that any such transfer will not apply to cargo liners or passenger vessels.
- 6. A draft will be drawn up as soon as possible, after coming to an understanding with the Reparation Commission as regards the sums due to the Allied Clearing Offices.
- 7. Each of the Allied States reserves the right to act independently as to whether or not it will waive its rights under paragraph 18 of Annex II of Part VIII of the treaty [of Versailles] in respect of particular categories of private property belonging to Germans.
- 8. The same applies to exceptions to be made in the application of the principles of liquidating German property.
- 9. The conference, being convinced of the necessity of re-establishing sound finance in Germany as soon as possible, instructs the Brussels delegates to submit precise proposals with this object in accordance with the general principles laid down in the report of the experts.
- 10. The Brussels Conference delegates must submit their final report before the 20th February, as stated in the agreement of the 11th November, 1920.
 - 2, Whitehall Gardens, S.W., January 31, 1921.
 - ¹² See No. 7, n. 3 (ii). Annex 6 is printed in Documents . . . réparations, pp. 109-10.

APPENDIX 5 TO No. 12

Report of the Committee on Austria

(A.J. 239. Confidential.)

(Approved by the Allied Conference in Paris on January 28 [? 29], 1921)

- 1. In view of the express limitations of our reference we have thought it desirable to endeavour to look at the problem from the point of view of a private capitalist, considering whether and on what terms he shall take part in the industrial and commercial resuscitation and development of Austria. What is the precise nature of the obstacles which would deter him? And how far can such obstacles be removed by action on the part of—
 - (1) The Allied Governments (other than a State loan)?
 - (2) The Government of Austria or of the 'successor States'?

The answer to these questions will indicate how far any action of the above kind, which is practicable in present circumstances, is likely to be sufficient by itself to clear the way for the effective co-operation of Allied private enterprise in Austria, or how far, if at all, it would need to be supplemented by direct governmental action.

- 2. We should explain that we have concentrated our attention primarily on the recuperation of Austria, and have considered the much less serious position of the 'successor States' solely in relation to the problem of Austria, because this problem is the only one which appeared to us sufficiently acute and urgent to demand special consideration by the Supreme Council. So far as we can judge (without of course making a special study for which there has been no time), the economic and financial difficulties of Czechoslovakia, Jugoslavia and Hungary are not beyond the possibility of treatment by ordinary commercial methods, supplemented by such aids to credit as are afforded, for example, by the 'Ter Meulen' scheme¹³ now being organised by the League of Nations, or the exports credits legislation in the United Kingdom and elsewhere, provided always that the Governments of these States pursue a reasonably prudent internal policy, and remove all unnecessary obstructions to trade and communications both with the outside world and across the new frontiers within the bounds of the old Austro-Hungarian Empire.
- 3. Pursuing the enquiry indicated above, the first and most obvious obstacle to Austrian resuscitation is the triple lien on all Austrian State assets in respect of—
 - (1) The cost of army of occupation.
 - (2) The relief credits already furnished by the Allied and Associated Powers and certain neutral States.
 - (3) Reparation claims under the Treaty of Saint-Germain.

We are unanimously of opinion that if the policy of attracting private capital to Austria is to be pursued all those liens must be abandoned or postponed to the utmost limits possible. It is for the Reparation Commission to take the necessary steps so far as concerns certain of these charges. The cost of the army of occupation (mainly Italian) is a first charge on all Austrian assets. The amount of relief credits already expended (which come next in priority) may be estimated at about

¹³ For this international credit scheme, based on principles submitted to the International Financial Conference at Brussels, Sept.-Oct. 1920, by M. C. E. ter Meulen a Netherland delegate, see L/N.O.J., No. 7, Oct. 1920, pp. 433-7, also No. 1, Jan.-Feb. 1921, pp. 47-50.

£31,000,000, of which about £11,000,000 represents the share of the United Kingdom, £10,000,000 the United States, and the remaining £10,000,000 the contributions of France, Italy and certain other Allied and neutral States. The total nominal amount of reparation claims cannot be even approximately estimated, but as no one expects these claims to be met, the only importance of the lien is that it is an effective bar to the attraction of private enterprise.

It would of course be necessary to carry with us, in the abandonment of the lien for relief credits, the United States and certain other countries, e.g., Switzerland, Holland and Scandinavian States which have participated in granting these credits. We think it indispensable that these Governments be approached accordingly.

4. We have enquired what further liens or mortgages, if any, remain on Austrian State assets.

The only claims of this kind which have been brought to our notice are—

- (1) An outstanding loan of 20,000,000 (paper) crowns on the salt monopoly, of which a very small proportion is held abroad and therefore payable in gold.
- (2) Outstanding bonds on State railways which were formerly private enterprises guaranteed by the State, amounting to 2 milliards of paper crowns, of which a large part is probably held internally.

Neither of these matters seems of material importance for the present purpose, but of course it would be necessary to verify the absence of any other (especially foreign) claims on Austrian assets before private capital would accept them as security. Subject to this we may say that the obstacle to resuscitation offered by prior charges on Austrian assets is capable of being removed by the act of renunciation on the part of the Allied and other Governments which we have recommended.

5. The next set of obstacles which a capitalistic group would find in its way are those offered by the complete financial disorganisation of the Austrian State. The facts have been so clearly brought out in the reports of the Austrian section of the Reparations Commission that it is unnecessary to go into them in detail.

The outstanding features are—

- (1) The rapidly depreciating exchange.
- (2) The widening gap between public income and expenditure which is met by the printing press, thus accentuating the depreciation of currency, and simultaneously increasing the deficit in the budget owing to the necessity of making purchases of necessaries abroad.

So long as those conditions continue, they present great difficulties in the way of hypotheticating the revenue of (say) the salt and tobacco monopolies to secure external credits or loans, since these revenues are a large element in the already insufficient public income.

Hence the reform of the public finances of Austria by cutting down expenditure and increasing income seems a necessary condition of national rehabilitation by private or other credits from abroad.

A material increase of income might perhaps be obtained by leasing the monopolies mentioned (and possibly certain others) to private management. Any material decrease of expenditure, however, involves very difficult political and social considerations, since it is certain to involve wholesale dismissals of redundant civil, military and railway employees.

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6. The Reparation Commission estimate that there are 20,000 redundant railway employees and 10,000 redundant civil service officials, and if to this estimate (which seems to us to be below the mark) we add 20,000 soldiers demobilised to reduce the army, and, say, 10,000 redundant employees of local and provincial authorities, the Austrian Government would be faced with the necessity of dismissing at least 60,000 public employees, for the bulk of whom no alternative employment is immediately available, and who must therefore, under present conditions, continue to be a burden on public funds. Moreover, in our opinion, this is only a small part of the problem which will eventually have to be faced, i.e., the gradual redistribution of the redundant population of Vienna so as to cease to be a crushing burden on the reduced Austrian State, and to be gradually absorbed in useful productive work. This problem has only to be stated for its immense difficulty to be appreciated. It can obviously only be dealt with by Government action; it must take a long time, and any projects organised by the State for this purpose, while leading to economies in the long run, must at the outset involve considerable capital expenditure.

We recommend that as an essential element in any scheme for assisting Austria with external credit, she be required, with the aid of the small financial board suggested below, to frame and give effect to a comprehensive scheme for—

- (1) Reducing her public services within reasonable limits.
- (2) For redistributing the redundant employees in productive work.
- 7. The above reforms, while they will diminish the financial disorganisation of Austria, will be insufficient of themselves to restore financial stability, unless they are accompanied by an effective control over the issue of paper money. This important matter is dealt with in a later part of this report.
- 8. The next group of obstacles to which we call attention are those afforded by the obstructions to commercial intercourse and communications between Austria and all the surrounding States caused by the customs and other restrictions and prohibitions imposed at the new frontiers by these new States. Austria as a landlocked State is peculiarly dependent on the goodwill of her neighbours for her commercial outlets. We may say that owing to various circumstances, including of course the state of Austria's currency, the successor States have thought it necessary to safeguard themselves by imposing prohibitions and restrictions which have undoubtedly aggravated Austria's economic difficulties. We are glad to know that a conference of the successor States has been called by the Reparation Commission to consider these and other matters, and we recommend that this conference should take place as soon as possible, and that the Principal Allied States should be officially represented thereat and should use their influence to secure a substantial amelioration of the present unsatisfactory conditions, and as near an approach to internal free trade and communications within the area of the old Austro-Hungarian Empire as the circumstances permit.
- 9. To the formidable obstacles already enumerated to the attraction of foreign capital to Austria on business terms must be added the fear of confiscatory taxation. No doubt the postponement of reparation claims would do something to diminish this fear, but it is to be expected that stringent guarantees would be required by any capitalist group before investing capital in Austria.
- 10. We now turn from examining the obstacles which, unless removed, would discourage the private capitalists from making advances to Austria to the second point on which such capitalists would require to be assured, viz., what are the

attractions which a resuscitated Austria can eventually offer in the way of possibilities of development which, if realised, may ultimately reward the capitalist who is willing to take risks in order to assist in putting Austria on her feet?

On this point our information is by no means complete, but such data as have been put before us tend to show that the development of water power presents great and attractive possibilities which a capitalist group might think worth exploring. Another possibility that has been suggested is the development of paper manufacture. But all these and similar matters can only be thoroughly investigated by competent business experts on the spot, who alone could form a sound opinion as to the value of these possibilities.

- 11. An outline scheme has been put before us by M. Loucheur which is given in full in Annex 114 to this report to create—
 - (a) A commission or other organ of control to supervise the finances of Austria, including the issue of currency, and either directly or indirectly to supervise the administration of any State revenues that may be pledged for future credits.
 - (b) An international industrial, commercial and banking company to perform certain functions explained in the scheme. The constitution of the commercial company, and the provision of credits through its means, and its precise relation to the control of Austrian finance, will obviously raise difficult questions when the project comes to be examined by business and financial houses as a practical proposition, and the last sentence (which suggests State guarantees for the first advance) may appear to go outside our reference. Nevertheless, we consider that in the present emergency, and in view of the strong political and other reasons in favour of making every possible effort to avoid Austria's collapse, the scheme should be submitted by the Principal Allied Governments to suitable capitalist groups in their respective countries, and that the representatives of such groups as are prepared to give serious consideration to the scheme, or to any acceptable variant thereof, should be invited to confer together at an early date.
- 12. As regards the proposed control of Austrian finances, which is an integral part of the scheme, we are inclined to prefer a small board of expert financial advisers to be appointed by the Austrian Government with the approval of the Allies, on conditions ensuring them sufficient fixity of tenure and independence to be able to perform their difficult and delicate duties. We do not favour an international commission of delegates instructed by their various Governments, as this would, in our opinion, involve these Governments in responsibility for the Government of Austria to a degree which we do not believe they will be willing to undertake. We do not think that the board of advisers should be directly armed with coercive powers, except, perhaps, to veto any proposed issue of paper money, but that they should be authorised to report fully to the Allies as to the measures taken or not taken to give effect to their advice. The fear of losing all further credits will, in our opinion, be a powerful inducement to the Austrian Government to follow the advice tendered to them.
- 13. It is by no means our expectation that the scheme which we propose will duplicate or render unnecessary, so far as concerns Austria, the various schemes for facilitating the grant of international commercial credits, which at present exist or are contemplated. In particular, we may mention the so-called 'Ter Meulen'

14 Not attached to filed copy.

scheme of international credits recently adopted by the League of Nations, the export credits scheme in operation in the United Kingdom and the Edge Act in the United States. Hitherto, however, it has been quite impossible for Austria to comply with the conditions of any of these schemes in view not only of her total financial disorganisation, but of the fact that all her State assets are already pledged several times over. It is our hope that one beneficial effect of the adoption of the measures which we recommend will be to put Austria in a position for the first time to benefit by participation in these credit schemes, and the financial and commercial organisation which we contemplate ought, if successfully established, to be a useful medium for assisting this participation.

14. Lastly, we would state, so that there may be no mistake as to our views, that even if all the above recommendations be adopted we are by no means certain that the effect will be to rehabilitate Austria permanently, as we have not sufficient information to arrive at a definite conclusion. We have already pointed out the many practical obstacles which may hinder the operation of the scheme. It may be found that the evils from which Austria suffers are so acute and deep-seated that they cannot be effectively cured without a degree of assistance from other Governments which we are not authorised to consider. As, however, we understand that it is considered to be a matter of great urgency and importance from a political and economic point of view that no means shall be left unexplored to arrive at a solution of the problem referred to us, we recommend the above recommendations to the favourable consideration of the Supreme Council.

Short Summary of Principal Recommendations

- 1. Abandonment or postponement by Allies of liens in respect of army of occupation, relief credits and reparation. United States and other States which gave relief credits to be invited to join in this renunciation (paragraph 3).
- 2. Immediate convocation of conference of Austria and 'successor States' with representatives of principal Allies, to endeavour to promote freer trade and communications within territories of Austria-Hungary and the successor States (paragraph 8).
- 3. Obligation on Austria with assistance of its financial advisers to reduce her public services, and to take steps for the utilisation of the redundant employees in productive work (paragraphs 5 and 6).
- 4. Control of Austrian finances, including issue of paper money, through a board of financial advisers appointed by the Austrian Government with approval of the Allies (paragraphs 11 and 12).
- 5. Examination by capitalist groups in the principal Allied countries of M. Loucheur's scheme for an industrial commercial and banking company to operate for the economic revival of Austria (paragraph 11 and annex).
- 6. Inclusion of Austria within scope of the various international and national export credit schemes now in operation or contemplated (paragraph 14 [13]).

Hôtel Crillon, Paris, January 28, 1921.

¹⁵ A bill (S. 2472) dealing with the organization of credit resources for the financing of foreign countries making purchases in the U.S., introduced by Senator Edge from New Jersey, had been passed by the Senate on Sept. 9, 1919; see *U.S. Congressional Record*, 66th Congress, 1st Session, vol. 58, part 5, pp. 3638-43, and part 8, pp. 5380-7.

CHAPTER II

Proceedings of the Third Conference of London and Records of Conversations connected therewith February 18–March 18, 1921

No. 13

I.C.P. 157A] Interview between the Prime Minister and M. Kalogeropoulos¹ on February 18, 1921

M. KALOGEROPOULOS said that he wished to thank Great Britain for the support which it had throughout given to Greece in recent years.

THE PRIME MINISTER said that Great Britain was a true friend of Greece, and that, though it had been distressed at certain recent incidents, it intended to remain a friend.

M. KALOGEROPOULOS said that the whole people of Greece would be grateful for that declaration, and that he would communicate it to them at once.

In reply to enquiry, M. Kalogeropoulos said that it was his mission to find out if the British Government had any desires or advice to give the Greek Government. It was the wish of Greece that all the arrangements provided for in the treaty,² which would give peace to the East, should be maintained, but the Greek Government was anxious to hear whether the British Government had any advice to give it.

THE PRIME MINISTER asked whether Greece was able to defend its new possessions against any attacks which might be made upon it.

M. KALOGEROPOULOS said that Mustapha Kemal³ could do nothing in Thrace, and that he was convinced that the Greek army could scatter Mustapha Kemal as soon as it was given the right to do so by the Allied Powers, who had the right to give or withhold that permission. Once the Kemalists had been scattered the Greeks could maintain in Smyrna three divisions permanently, and in addition, if necessary, could send two further divisions. So far as the maintenance of the Greek possessions in Smyrna and Thrace were concerned, Greece was absolutely one and united.

THE PRIME MINISTER said that if M. Kalogeropoulos did not wish to do so, he would not press him for an answer at the moment, as he might like to consult his Government before giving one, but the suggestion had been

- ¹ M. Kalogeropoulos, Greek President of the Council and Minister for Foreign Affairs since Feb. 7, 1921, had arrived in England on Feb. 17 as head of the Greek delegation to the Third Conference of London.
 - ² i.e. the Treaty of Sèvres; for the text see B.F.S.P., vol. 113, pp. 652-776.
 - 3 Leader of the Turkish Nationalists.

made that the road to peace might be eased by making Smyrna an autonomous province with a Christian Governor appointed by the Allies, and separate from Athens. The suggestion, in fact, was to apply to Smyrna the system which had previously been adopted in the case of Eastern Roumelia,4 and which in this case, as in that, would probably end in complete incorporation with Greece. The defence of the province would then rest on local levies, and Greek troops could only be introduced at the call of the Allies and in the event of a Turkish invasion.

M. Kalogeropoulos said that he would have to consult his Government before giving any answer, but he would like to say immediately that the situation in Smyrna had already been transformed through the introduction of a Greek Administration. Law and order had been established, and the population, which had previously been driven away by the Turks, was now returning. Everybody in Smyrna now admitted that the situation was greatly improved. If, however, the Greek army were compelled to withdraw, disorders would probably ensue. Further, once the Greek army was withdrawn, it would be a very difficult thing to reintroduce it again. He could not disguise the fact that there were other Powers, by which he clearly meant the Italians, who were engaged in an active propaganda there in favour of the Turks against the Greeks. The majority of the population was Greek, but there was a large Turkish minority which outside propaganda could work upon. The withdrawal of the Greek army, therefore, would make the autonomy of Smyrna very dubious.

The PRIME MINISTER said that, as far as he could ascertain, the Kemalist demands were that both Smyrna and Thrace should be returned to Turkey.

M. KALOGEROPOULOS replied that such a thing would be absolutely impossible. The Greeks would never agree to that so long as they could resist it.

THE PRIME MINISTER said that he was glad to hear this, and that he relied upon the spirit of the Greek people not to surrender legitimate rights. At the same time, it would help the British Government if the Greek Government could find some way of making a concession about Smyrna. From the point of view of Greece, it would be a great pity if the conference broke down because the Greeks were unreasonably unyielding. If the conference is to break down, it would be far better it should do so by unreasonableness of the Turks, for in that case, if Greece had been willing to agree to a reasonable compromise, they would have the Allies on their side.

The Prime Minister then explained to M. Kalogeropoulos the proposed procedure, and said that the conference would probably hear the Turks first, but would then communicate to M. Kalogeropoulos what the Turkish proposals for the modification of the treaty were, and the conference would then hear M. Kalogeropoulos himself.

2, Whitehall Gardens, S.W., February 18, 1921.

4 By the Treaty of Berlin of 1878, E. Roumelia had been established as an autonomous province within the Turkish empire; a Christian governor-general was to be nominated by the Sultan with the assent of the Great Powers; see B.F.S.P., vol. 69, pp. 755-8.

I.C.P. 157B] Notes of a Conversation between Mr. Lloyd George and M. Briand at the Hyde Park Hotel, London, S.W., on Monday, February 21, 1921, at 9.15 a.m.

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister; Sir M. Hankey, G.C.B.

France: M. Briand, President of the Council; M. Berthelot, Secretary-General to the Ministry for Foreign Affairs.

INTERPRETER: M. Camerlynck.

After some preliminary conversation,

MR. LLOYD GEORGE said that he had seen M. Kalogeropoulos.¹ He had made it quite clear that the Greeks did not intend to clear out of Smyrna. He himself had not thought it worth while to mention any proposal that they should clear out of Thrace. He mentioned this fact in order to show that the difficulties of the conference would not be confined to the Turks.

M. Briand said that the Greeks would have to bear in mind that they might find themselves confronted with difficulties with all their neighbours—the Bulgarians and Serbs, as well as the Turks.

MR. LLOYD GEORGE said that the Serbs would be afraid of the Bulgarians.

M. Berthelot said that, as a matter of fact, the Serbs and Bulgarians were drawing close together.

M. Briand confirmed this, and stated that the Bulgarians were the most sturdy race in the Balkans.

MR. LLOYD GEORGE said that these were really matters for the future, and for the moment the Allies had to take a decision about Smyrna, and it was evident that M. Kalogeropoulos did not mean to clear out. He said that the Italians were intriguing with the Turks in the Smyrna district.

M. Briand thought that the Turks were making use of the Italians, but would drop them as soon as they had got all they could out of them.

MR. LLOYD GEORGE said he had informed M. Kalogeropoulos that, if the conference failed because the Turks were unreasonable, then they would be against the Turks, but if it broke down because the Greeks were unreasonable, then the Powers would be against the Greeks.

M. Briand said that if the Greeks were reasonable—and they had every reason to be so, because a considerable element of Greek public opinion was against any active operations by the Greek army and wanted to reduce their military burdens—they ought to be willing to contemplate some such arrangement as had been made in regard to Crete² and elsewhere for a gradual

¹ See No. 13.

² In a note of Oct. 4, 1898, the Four Powers, Great Britain, France, Italy, and Russia, had invited the Turkish Government to withdraw their garrisons from Crete in order to facilitate the establishment there of an autonomous regime under Turkish suzerainty. In November they had agreed to offer the post of High Commissioner of Crete to Prince George, second son of the King of Greece; see B.F.S.P., vol. 92, pp. 1210-1 and 1228-36.

transition of sovereignty. If the Greeks were wise they would envisage some arrangement which would give them the advantage of complete safety for their citizens, as well as safeguard their economic position. The only question was whether the Greeks were capable of such reasoning and wisdom.

MR. LLOYD GEORGE said he had tried M. Kalogeropolous [sic] with that. He had suggested that some arrangement should be made similar to that made in regard to Crete. He had replied that he apprehended that the Italians would stir up the Turkish population in the Smyrna district, which, though numerically inferior to the Greek population, formed a strong minority. Moreover, any arrangement of this kind would involve ordering the Greek troops to march out from Smyrna and the hauling down of the flag. No Greek Government could face that. M. Kalogeropoulos had shown himself very reasonable, but very firm. After this interview he himself had recognised that Greece was absolutely united. M. Kalogeropoulos had been just as firm as M. Veniselos.³

M. Briand said he thought that Greek fears of the effects of a withdrawal were very much exaggerated. Withdrawing was a national characteristic of the Greeks. Had not Achilles himself adopted this method? There was also the famous retreat of the 10,000. It might be said that Greece made rather a speciality of retirements. For the rest, he thought that the Greek preoccupations were legitimate. They would have to ensure the safety of their compatriots, and with a good police force and the gendarmerie it ought to be possible to prevent the Italians from making mischief.

MR. LLOYD GEORGE interpolated at this point that it was important to know whether the gendarmerie was to be raised in Greece, or merely from the population of the Smyrna district.

M. Briand said it might resemble the Macedonian gendarmerie with a Greek preponderance in the towns in order to secure their minorities.

M. Berthelot suggested that there might be some kind of a tripartite agreement in regard to Smyrna.

MR. LLOYD GEORGE said that he had only put this matter as one of the difficulties in the case. It must not be assumed that all the difficulties would be with Mustapha Kemal. It would be impossible for the British Government to send battleships to Smyrna to clear the Greeks out by force of arms. Whatever was done with the Greeks must be done by persuasion only.

M. Briand said that he had the same preoccupation.

MR. LLOYD GEORGE said he had put this to M. Kalogeropoulos, suggesting that Smyrna should receive a status similar to that of Eastern Roumelia.6

- ³ Prime Minister of Greece from June 1917 until his resignation in Nov. 1920; cf. No. 4. n. 2.
- 4 Achilles, an early king and hero in Ancient Greece and a central figure in Homer's *Iliad*, had withdrawn in wrath to his tent after his quarrel with Agamemnon, leader of the Greek forces opposing the Trojans.
- ⁵ A reference to the return from Persia of the Greek mercenaries in the army led by Cyrus, viceroy of Asia Minor, after the latter's defeat and death at the battle of Cunaxa, outside Babylon, in 401 B.C.
 - 6 See No. 13, n. 4.

M. Briand said that he had also suggested the precedent of Eastern Roumelia.

MR. LLOYD GEORGE, continuing, said that he had suggested to M. Kalogeropoulos that he should not give an immediate answer, but should first communicate with Athens. M. Kalogeropoulos had shown that he did not at all like the proposal personally. He was due at Downing Street at 11 a.m., and he would suggest that M. Briand or M. Berthelot, or both, should come to Downing Street to meet M. Kalogeropoulos. Perhaps it would be necessary to invite Count Sforza⁷ as well, but the objection to this was that then M. Kalogeropoulos might not be willing to speak freely.

M. Briand agreed that it might be better not to invite Count Sforza in the circumstances. He agreed to come to Downing Street at 11 a.m. He said that in a short interview with M. Kalogeropoulos he had the impression that the Greek Prime Minister was preoccupied with the need for assistance, and more especially financial assistance, from the Allies. Without such assistance he would be helpless.

MR. LLOYD GEORGE said that in his interview with him he had never asked for a penny.

M. Berthelot said he had had a conversation with M. Kalogeropoulos, when he had given him to understand that, if the Allies delegated Greece the task of advancing on Angora, they must receive financial assistance. Without it, the advance was impossible. Probably, in his interview with Mr. Lloyd George, M. Kalogeropoulos had assumed as a matter of course that financial assistance would be forthcoming.

MR. LLOYD GEORGE said that M. Kalogeropoulos had made it clear that the Greeks could easily scatter the troops under Mustapha Kemal, whose power was greatly exaggerated. He thought the Allies were making a great mistake in allowing themselves to be bluffed by Mustapha Kemal. All he had asked was that the Allies would withdraw their veto on the issue of paper money by Greece.⁸ Poland was issuing paper money extensively, but the moment Greece wanted to do so the Allies placed a ban on it. Of course, M. Kalogeropoulos would like financial assistance. Everyone wanted money; even the Americans, who had, he understood, acquired all the money that had been in Europe. Perhaps it would be better now to adjourn the discussion of the Greek question.

M. Briand said he would like to add one word. He agreed with what Mr. Lloyd George said about exaggerating Mustapha Kemal's power. France, however, had had to deal with a force of 60,000 men belonging to Mustapha Kemal's army in Cilicia. These had proved to be very good troops, and the French forces had lost more than 2,000 killed, and had been in great difficulties. He wondered what would have happened if they had been Greek instead of French troops.

MR. LLOYD GEORGE said that he had heard a rumour that the French

- ⁷ Italian Minister for Foreign Affairs.
- ⁸ See Vol. VIII, No. 99, minute 2, pp. 854-5, and Vol. XII, Nos. 458, 463, 466, and 475.
- 9 See Vol. XIII, No. 75.

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army was not composed of the best French troops. They had included a good many Senegalese, and even Armenians. They were by no means equal to the average French troops.

- M. Briand said that no Armenians had been included, although there had been Senegalese. Armenians had been tried at first, but given up.
- M. Berthelot said that some good troops were included, but there were worse elements as well.
- M. Briand said that General Gouraud's view was that if the Greeks were allowed to advance there would be no end to the operations. First the Greeks would have a success, then the Turks would drive them back, and there would be no peace. What worried him was that the Bolsheviks, who at the moment were at the extreme limit of their power, which might in course of time gradually disappear, would receive a new lease of life if there were an attack on the Turkish troops.

MR. LLOYD GEORGE said that the Bolshevik bugbear had more or less disappeared in this country, and he had thought it was beginning to disappear in France. It seemed, however, that it still lived there. He was not in the least afraid of the Bolsheviks. The idea of their marching on Angora was a chimera. They could not finance the purchase of goods abroad, even from Germany. They had given no real support to Mustapha Kemal; in fact, they had sent nothing but despatches. The Bolshevik bugbear was very good for use in Parliament or on the platform, but was not a serious menace.

M. Briand said this was so much the better.

Reparations from Germany

MR. LLOYD GEORGE said that he would like to have a word about Germany. What was M. Briand's information?

M. Briand said he knew nothing of their intentions. He had no information from Berlin except contradictory rumours.

M. Berthelot said that he thought they were assuming an intransigent attitude.

MR. LLOYD GEORGE said this was no indication of their real inner attitude. He thought Lord D'Abernon¹¹ was a little hopeful.

M. Briand said that French public opinion considered that the Allies had already gone to extreme limits.

After some further discussion about the question of reparations, in the course of which both Mr. Lloyd George and M. Briand agreed that there was strong objection to spreading reparations over a period of forty-two years¹² and that it would be very desirable, if possible, to find a speedier solution, possibly by arranging for the position to be reviewed at the end of ten years, M. Berthelot raised the question of Upper Silesia.

- ¹⁰ Gen. Gouraud was French High Commissioner in Syria and Commander-in-Chief of the Army of the Levant.
 - 11 H.M. Ambassador at Berlin.
- 12 i.e. the period mentioned in the reparation proposals approved by the Allied Governments on Jan. 29; see No. 11, Appendix 1 (iii), Art. 1.

MR. LLOYD GEORGE, after listening to M. Berthelot's exposition of the present situation, asked that M. Berthelot should raise the question at the formal conference to meet that morning.¹³

2, Whitehall Gardens, S.W., February 21, 1921.

13 See No. 16 below, minute 2.

No. 15

I.C.P. 1570] British Secretary's Notes of a Meeting held at 10, Downing Street, London, S.W., on Monday, February 21, 1921, at 11 a.m.

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister; The Rt. Hon. A. Bonar Law, M.P., Lord Privy Seal; The Rt. Hon. the Earl Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; SECRETARIES, Sir M. Hankey, G.C.B., Mr. Kerr.

France: M. Briand, President of the Council; M. Berthelot, Secretary-General to the Ministry for Foreign Affairs.

Greece: M. Kalogeropoulos, Prime Minister; M. Rizo-Rangabé. Interpreter: M. Camerlynck.

Position at Smyrna

MR. LLOYD GEORGE said he had invited M. Kalogeropoulos to see him and M. Briand in order to inform them if he had anything to add to what he had said at the previous interview.

M. Kalogeropoulos said that he had now received a reply from Athens, which he handed to Mr. Lloyd George (Appendix 1).

M. CAMERLYNCK read this telegram in French and English.

M. KALOGEROPOULOS then handed Mr. Lloyd George a memorandum (Appendix 2) which explained and developed the arguments in the telegram. He then handed him a further document on the subject of refugees (Appendix 3). He stated that two further annexes were being prepared which would be ready, he hoped, in an hour's time.

MR. LLOYD GEORGE said that if M. Kalogeropoulos had nothing more to add he would not detain him beyond thanking him for the information he had given. He said that the Angora delegation were not expected to arrive before that evening, and he thought it was unlikely, therefore, that M. Kalogeropoulos would be required before Wednesday.

(The conference then adjourned.)

(Note.—Later in the morning it was decided to invite M. Kalogeropoulos to attend a meeting to be held at St. James's Palace at 4 o'clock that afternoon.)¹

2, Whitehall Gardens, S.W., February 21, 1921.

¹ No. 16 below p. 140.

APPENDIX I TO NO. 15

Athens Note communicated to M. Kalogeropoulos

(A.J. 254. Confidential.)

Excellence Kalogeropoulos, London.

We believe that Mr. Lloyd George is anxious to obtain exact information in regard to the sentiments of the Greek people and the views of the Greek Government with reference to the effective means which Greece may be capable of putting forward in the event of her taking over heavy responsibilities for the continuation of hostilities, as well as the moral and material forces which she could put forward in order to obtain the pacification of the Middle East. He will also wish to have evidence as to whether all that we say represents an unshakable determination to clear Asia Minor of the Nationalist organisations by means of our own forces sufficient for this enterprise. The British Prime Minister's need to obtain as complete as possible information on this subject appears to us fully justified, in view of the tendencious [sic] statements which have recently been put into circulation in regard to the weariness of the Greek people and army. We also share the views contained in the words used by your Excellency in regard, on the one hand, to the impossibility of the Greek Government going beyond certain limits, in spite of its desire to bow to the advice of the British Government, and, on the other hand, in regard to the power of Greece to shatter the efforts of Mustapha Kemal. These two arguments prove conclusively the will and the undoubted capacity of the Greek people to carry out the engagements undertaken. The much-desired pacification could not be obtained by concessions to Turkey, especially if the latter tended to cause the principle to disappear, that populations who had been given their liberty should never again be placed under the Turkish yoke. This principle, which brings honour to the statesmen of England, has alone been able to assure peace in the past, and to put an end to the difficulties which Turkey has never ceased to cause to the Powers; intermediate and incomplete solutions have only perpetuated disturbances and bloody conflicts. If, after the shedding of so much blood, the replacing under the Turkish yoke of provinces which have definitely been detached from Turkey by a treaty were tolerated, the only means which existed for settling the threatening situation would for ever be sacrificed. Should the conference be anxious to see its efforts crowned with success, it must more especially insist that Turkey should pay for the actions of Mustapha Kemal, which have been the cause of the perpetuation of disorder and massacres in the Near East, and which have, for Greece, added a new sacrifice to those made by her during the world war, and for which she received compensation under the Treaty of Sèvres. It is in this way that it will become possible to impose on Turkey the decisions of the Allies, by making her fully understand that she would have to pay further sums as reparation to atone for her non-submission.—Baltazzis.²

² Minister of Agriculture in M. Kalogeropoulos's administration and Acting Minister for Foreign Affairs.

APPENDIX 2 TO No. 15

The Greek Army in Asia Minor: Memorandum by the Greek Delegation (A. J. 252. Confidential.)

In pursuance of a mandate from the Allied and Associated Powers the Greek army, close on two years ago, landed in Asia Minor.³ The mandate conferred on it was a tangible proof of the will of the Allied democracies to affirm in the Near East the ascendancy of the principles which had been their bond of union throughout a long and bloody war. Fifteen months later the vindication of those principles in the Near East was registered in an international Act bearing the signatures of the Allied Powers.⁴ Fully conscious of the nature of its mission, the Greek army had, in the meantime, firmly established peace and order in Western Asia Minor. The Greek Administration which followed it had secured to the afflicted populations the benefits long unknown to them of a just and paternal rule, which admitted no privileges of race or religion. After centuries of misrule and oppression a happier future seemed in store for the classic lands which had been the cradle of the Hellenic race, and of our common European civilisation.

The evidence of all foreign observers (including the commissioners of the Powers and Generals Sir T. Bridges and Hanbury,⁵ who followed the Greek army) will show that there is no element of exaggeration in these claims. The best proof, however, is furnished by an almost incredible decrease of criminality, as compared with the conditions formerly obtaining in Smyrna, and with the present condition of Asia Minor outside the Greek zone.

In this connection may also be mentioned the successful repatriation of no less than 126,000 Greek refugees without any untoward incidents whatever attending their return, in spite of the very natural animosity of the refugees against their whilom persecutors.

The actual administration of the Smyrna zone passed into Greek hands only in August 1920. In this short period, in spite of insufficient means and of lack of preliminary study of the various aspects of the administration, considerable results have been attained, especially if a comparison is made with the Turkish régime.

Two appended notes give a detailed account of the steps taken in regard to the repatriation of refugees and the encouragement of agriculture. The latter has included loans to agriculturists of 20,000,000 drachmas at 6 per cent. Steps have also been taken to combat malaria and endemic diseases generally, including the establishment of an institute for the preparation of serum and the despatch of doctors into the villages.

All branches of the administration exclusively concerned with the Turkish element (vakous, 7 orphanages, mustis, 8 cadis 9) have been maintained and subsidised by the Greek authorities. The latter are also meeting the expenses of the upkeep of the Turkish schools, while leaving the upkeep of the Greek schools to the Greek communes.

- ³ On May 15, 1919. For the decisions by the Allied Powers on May 6 and 12, see Vol. I, No. 10, n. 8; cf. F.R.U.S., The Paris Peace Conference, 1919, vol. v, pp. 484 and 578.
 - 4 i.e. the Treaty of Sèvres, signed on Aug. 10, 1920.
- ⁵ Gen. Sir T. Bridges had been Head of the British Mission with the Allied Armies of the Orient, 1918–20. Gen. P. L. Hanbury was attached to the British Army of the Black Sea.
 - 6 Not attached to filed copy.
 - 7 i.e. land held in trust for religious or charitable uses.
 - 8 Muslim priests or expounders of the law.

9 Civil judges.

A university at Smyrna is being organised with faculties for (1) engineering, (2) mining, (3) commerce, (4) agriculture, (5) Eastern languages, and (6) Moslem jurisprudence. Pre-war postal and telegraphic communications have been reestablished and extended, and are working satisfactorily; 100 kilom. of road have been repaired, and a wireless station for commercial use has been established.

The foregoing brief account will give some idea of the work achieved and of the efforts and sacrifices which it has involved. It should, in fairness, be added that these achievements are only a beginning, and have been realised amid difficulties, internal and external, of every kind. In the nature of things, the Greek administration of the Smyrna zone has hitherto aimed, in the first instance, at pacification and reconstruction. Having thus succeeded in creating the conditions indispensable for the development of production, Greece's task for the future will be to organise the exploitation of the rich natural resources of the country, securing to the commercial and industrial enterprise of all nations free scope to avail themselves of the advantages of Smyrna's geographical position as a natural door for economic intercourse between East and West.

Greece has the conviction that she constitutes the prime factor of European civilisation in the Near East, and she is confident that she will not be found wanting if only the Allied Powers will continue to extend their confidence to her. However, it is clear that her work, as an agent of peace and civilisation, is only made possible for her by the presence of her army constituting, as it does, a solid rampart against all those reactionary influences and elements which aim at, and will surely seek to compass, if only they are given scope, the restoration of a régime whose crimes called forth the indignation of the civilised world so recently that they cannot already have been forgotten. Further, while it is true that the Greek army in Asia Minor has pursued a mandate conferred on it by the Allied Powers in the common interest, this mandate was in full harmony with the capital national duty recognised by every Greek of liberating these Greek populations from an alien and barbarous domination. The duty of the Greek State in regard to the Greek provinces freed by its armies and the ties of blood binding the Asiatic Greeks to those of the mother country create obligations which no Greek Government can ever repudiate. The Greek army in Asia Minor is not only the champion of interests which Greece has in common with her allies in the Near East, but above all an effective guarantee of peace and freedom which Greece cannot withdraw without again exposing Christian populations, liberated by the blood of her soldiers, to the outrages of Moslem fanaticism. Were such an eventuality to be realised it would mean that a war fought to secure the right of the nations to independence had issued in a moral catastrophe of the first magnitude.

It may be added here that the extreme left wing of the Greek army is at present mounting guard over Constantinople and the Straits. Any withdrawal of this force would immediately expose the internationalised zone of the Straits to a surprise attack analogous to that attempted in the spring of last year, 10 which, in the absence of Allied troops, the Turks of the interior could easily organise without being detected in time.

The Treaty of Sèvres is an historical fact. It bears the signatures of the victorious Allied Powers. In respect to Greece this instrument simply endorses her legitimate national claims in full conformity with the principles for whose vindication so much blood has been shed.

The Greek Government and the Greek people firmly believe that the Allied

10 See Vol. XIII, No. 83.

Powers, in full knowledge of the results obtained and of the services rendered by Greece in Asia Minor, will not to-day repudiate the declarations made to the Porte with reference to this treaty in July last—declarations whose force nothing has since come to invalidate. On behalf of the Allied Powers M. Millerand declared to the Ottoman Government: 11 'The Allies see clearly that the moment has come to put an end for all time to Turkish domination over other nations. The history of the relations between the Porte and the Greek [? Great] Powers is nothing but a series of repeated but unsuccessful efforts to put an end to atrocities which have shaken and revolted the conscience of humanity in the course of the last twenty years. The Ottoman Government has massacred 800,000 Armenians, men, women and children, and deported or expelled from their homes more than 200,000 Greeks and 200,000 Armenians. The Turkish Government has not only failed in its duty of protecting its subjects of non-Turkish race against pillage, violence and murder; numerous proofs indicate that it has itself assumed the responsibility of directing and organising the most savage acts of aggression against populations which it was its duty to protect. For these reasons the Allied Powers have resolved to emancipate from the Turkish voke all territories inhabited by a non-Turkish majority. It would be neither just nor conducive to an equitable peace in the East to compel numerous non-Turkish populations to remain under Ottoman sway. The Allied Powers cannot consent to any modification of the provisions of the treaty detaching Thrace and Smyrna from Turkish domination, for in both these territories the Turks are in a minority.'

The Greek army in Asia Minor, 121,000 strong, is in a position to scatter the Kemalist forces and to impose the will of the Powers as embodied in the Treaty of Sèvres. In every respect the Greek army is overwhelmingly superior to the Kemalist levies, which along the Greek front attain a total of 30,000 to 34,000 men, including irregulars.

The objective of the Greek army in the above case would be, in the first instance, to occupy the railway line Adapazar-Eskishehir-Afioun-Karahissar, and establish itself firmly to the east of this line. The details and consequences of this operation are considered in an appended note.¹²

After the break-up of the Kemalist army three divisions on a peace footing would be sufficient for the zone allotted to Greece by the Treaty of Sèvres. In case of need these three divisions could promptly be raised to war strength. This would supply a force amply sufficient for any contingency.

However, the necessity of guarding the freedom of the Straits imposes on the Allied Powers, including Greece, an obligation to maintain adequate forces for this purpose. These forces should, it is clear, be maintained until such time as the clauses of the treaty relative to the disarmament of Turkey shall have been executed, and more generally so long as the Allied Powers shall consider it expedient in view of the existence of a determination to defy the decisions taken by those Powers. Thus it will depend on Turkey to put an end to this military occupation and the financial burdens accruing from it by loyally conforming to the provisions of the Treaty of Sèvres.

February 21, 1921.

¹¹ For this Allied reply to Turkish observations on the draft treaty see Vol. VIII, No. 62, minute 1 and Appendix 1. M. Millerand was at that time French President of the Council and Minister for Foreign Affairs.

¹² Not attached to filed copy.

APPENDIX 3 TO No. 15

Repatriation of Refugees: Memorandum by the Greek Delegation

(A. J. 250. Confidential.)

A serious problem which had to be taken in hand by the Greek administration of the Smyrna zone was that of the repatriation of Greek refugees. As a result of its exertions 126,000 of these refugees have already returned to their homes.

The following considerations will serve to indicate the difficulties which had to be faced in this connection:—

- 1. The difficulty of housing the refugees is clear from the fact that out of 45,000 houses available before the war 23,000 were now wholly and 18,000 partially destroyed, only about 3,000 remaining in tolerably good condition. Further building material was almost unobtainable except in Smyrna, and even there was very costly. In spite of this the Greek administration by the end of 1920 had succeeded in repairing 29,000 houses—an achievement which compares favourably with similar work in other devastated regions.
- 2. A second difficulty was the presence in these districts of some 35,000 Turkish refugees from Serbia, Macedonia, Albania, Crete, &c., who had been installed in deserted Greek villages by the Turkish Government. This made it likely that the repatriation of the Greek refugees would be attended by friction and reprisals. The Greek administration accordingly took steps to dispose of these floating populations before allowing the repatriation of Greek refugees to begin. Some of these Turks were sent back to their homes in new Greece (Macedonia, Epirus, the islands) at the expense of the Greek administration. Further, a special commission for the relief of destitute Turks was instituted, under the auspices of which many of the remainder were settled at certain points within the Smyrna zone. A difficulty consequent on the foregoing was that the repatriation of Greek refugees only began in the winter of 1919 and the already existing difficulties were intensified by the action of the local Turkish authorities, who did all in their power to prevent the restoration of Greek property to its legitimate owners by the Turkish refugees who had seized it.
- 3. Yet another problem was the preservation of order during the repatriation, having regard to the very natural animosity of the repatriated Greek refugees against their whilom persecutors. The police measures taken by the Greek administration, which included the immediate expulsion of every repatriated Greek who showed the slightest inclination to molest his Turkish neighbours, were nevertheless sufficient to preserve perfect order. No untoward incident whatever occurred and no complaints were formulated by the Turkish element. On the contrary, documents signed by Turks are available in which their appreciation of the equity of Greek administration is expressed.

It should be noted that in other provinces of the Ottoman Empire at present under Allied occupation, it has not proved in the same way possible to avoid collisions between Turks and Christian refugees returning to their homes (cp. Gautherot, 'La France en Syrie et Cilicie,' p. 182).¹³

- 4. A complicating factor was the parallel arrival of refugees from the territory under Kemal's sway. The total number of such refugees was 64,500, and among them were not only Greeks, but Armenians, Jews and even Turks. All these
- 13 This book by M. Gustave Gautherot was published at Courbevoie in 1920. The reference is to the deliberate fomentation of troubles in Cilicia by Turkish leaders at the end of 1918.

refugees are in receipt of relief from the Greek administration. In particular, relief for the refugees of Aidin, Nazli and Ak-hissar has cost 842,534 drachmas.

The results achieved by the Greek administration in spite of the difficulties explained above are indicated by the appended figures and maps. 14

February 21, 1921.

14 Not attached to filed copy.

No. 16

I.C.P. 158] British Secretary's Notes of an Allied Conference held at 10, Downing Street, London, S.W., on Monday, February 21, 1921, at 11.30 a.m.

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister (in the Chair); The Rt. Hon. the Earl Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; EXPERTS, Sir E. Crowe, G.C.M.G., K.C.B., Mr. Kerr, Mr. Vansittart; SECRETARIES, Sir M. Hankey, G.C.B., Mr. Howorth.

France: M. Briand, M. Berthelot, Count de Saint-Aulaire; EXPERT, M. Kammerer; SECRETARIES, M. Massigli, M. Chastenet.

Belgium: Baron Moncheur.

Italy: Count Sforza, Signor de Martino; expert, Signor Galli; secretary, Signor Guariglia.

Japan: Baron Hayashi, Mr. Nagai; secretaries, Mr. Saito, Mr. Tsubokami.

INTERPRETER: M. Camerlynck.

[1.] Procedure

MR. LLOYD GEORGE, in opening the proceedings, expressed the view that it would be idle to hold meetings of the full conference until the delegates from the Angora Government had arrived. Count Sforza would, no doubt, be able to inform the conference as to the present position respecting the delegates in question.

COUNT SFORZA said that, before leaving Rome, he had seen the head of the Angora delegation, who had informed him that the delegation was under strict orders not to proceed to London without first receiving a separate and official invitation to the conference. He (Count Sforza) had immediately

¹ The invitation to Belgium to attend the sessions of the London Conference beginning on Feb. 21 and concerned with questions arising out of the Treaty of Sèvres had been sent inadvertently. When the error was discovered Lord Curzon had instructed H.M. Ambassador at Brussels to substitute March 1 for Feb. 21, but it was then too late, since the Belgian Minister for Foreign Affairs had already informed the Commission for Foreign Affairs of the invitation for Feb. 21. As a compromise it was agreed that the invitation should not be cancelled, but that it should be arranged for the Belgian Ambassador in London, Baron Moncheur, to be present 'on occasion either of first meeting or of some meeting or meetings at which general discussion might take place, it being understood that participation in Turkish discussions cannot be conceded'.

pointed out that this was a very wrong attitude for the Angora delegates to take up, and after some discussion it had been agreed that the delegates should proceed to London without a definite separate invitation. The head of the delegation had handed to Count Sforza a copy of his instructions, and he (Count Sforza) had then wired to London and Paris and had received the answers just as he was crossing the Italian frontier. He had forwarded the answers on to Rome, and in the result the Angora delegates had decided to resume their journey. In the course of the interview the head delegate had informed him that Mustapha Kemal could not for a moment agree to the Turkish delegation from Constantinople being regarded as the principal Turkish representatives. If the Allies so regarded the Constantinople delegation, the Angora delegates would enter an emphatic protest, which they would ask should be recorded in the minutes. Speaking for himself, he (Count Sforza) had received the impression that the Angora delegates were in a most unconciliatory mood, which was, no doubt, attributable, to the chauvinistic atmosphere of Angora. It was very probable that after they had been some little time in Europe, and appreciated the difficulties of the situation, they would become more reasonable.

MR. LLOYD GEORGE enquired whether they could, in fact, be expected to take up a more conciliatory attitude when they would be acting under definite instructions from the Angora Government.

COUNT SFORZA replied that the Angora Government was divided between a party which favoured peace and conciliation, and a party of extremists who wished to precipitate a crisis.

Mr. LLOYD GEORGE then stated that he desired to inform the conference of a discussion which he had had with the Greek Prime Minister, M. Kalogeropoulos, on Friday last.² M. Kalogeropoulos appeared to be a man of moderate and conciliatory views, and he (Mr. Lloyd George) had thought it right to inform him that if the conference came to the conclusion that the Turks were adopting an unreasonable attitude it would decide against the Turks; but if, on the other hand, it came to the conclusion that the Greeks were unreasonable, it would decide against the Greeks. He had pressed M. Kalogeropoulos to state his views as to the probability of the Greeks making concessions, not in the matter of Thrace, but as regards Smyrna, and he had made various suggestions on the lines of Smyrna being treated as autonomous under a neutral Governor appointed by the Allies. He was surprised to find M. Kalogeropoulos very obstinate and unbending on this subject, and he had come to the conclusion that the Constantinists would be very much more difficult to deal with than the Veniselists. The present Greek Government had apparently the greatest confidence in their army and in their power to defeat the Kemalists, and represented that they had the whole of the Greek people behind them. As soon as he realised that the conference was likely to encounter serious difficulties from the Greeks as well as the Turks, he had asked M. Kalogeropoulos to inform the Greek Government that Great Britain remained, as in the past, a true friend of Greece, and that it would be ² See No. 13.

well if Greece would accept the advice of the Allies. M. Kalogeropoulos had just brought him a reply of an unfavourable character,³ which indicated that the Greek Government meant to fight and to reject any compromise.

Count Sforza said that he agreed generally with the line which Mr. Lloyd George had taken with M. Kalogeropoulos, except in one respect. He believed that the people in Greece, at Constantinople and at Angora were all unwilling to appear conciliatory, but that they would all be glad if the Allies would assume full responsibility and impose some compromise upon them. He took this opportunity of handing in a copy of the note which had been given him at Rome by the Kemalist delegate, in order that its terms might be recorded (see Appendix 1). The Kemalist Turks were anxious to know whether the Allies would treat with them separately, but he (Count Sforza) had made it quite clear that the conference would only recognise a single Turkish delegation.

MR. LLOYD GEORGE and M. BRIAND agreed entirely with Count Sforza's reply on the last point.

LORD CURZON said that Count Sforza had reported that he thought some secret arrangement existed between the two Turkish groups, and enquired whether he thought the two groups would still remain hostile to one another, or would endeavour to compose their differences.

Count Sforza said that he thought the two groups would agree to continue to pretend to be hostile to one another.

M. Briand said that the conference would have a difficult part to play between at least two unreconcilable and hostile factions, and that in this matter it would be well to remember that we were dealing with Turks and Greeks, both of whom would have to take, at all events at first, a very extreme and uncompromising attitude, in order to satisfy public opinion in their own countries. It would be the business of the Allies to act as umpire, and to try to effect some reasonable arrangement, and he thought that after the conference was some days old it would be found that both the Turks and the Greeks were more disposed to accept a compromise.

MR. LLOYD GEORGE then enquired whether it was possible for the conference to have any discussion on questions of principle or substance before the arrival of the Angora delegates.

M. Briand suggested that the Allies might discuss in advance the nature of the ultimate solution which might have to be imposed, with a view to reaching some sort of agreement which might help when the time came for the Allies to guide the Turks and Greeks into a compromise.

MR. LLOYD GEORGE thought it would be very difficult to explore the possible solutions until the conference had heard both the Greeks and the Turks.

COUNT SFORZA then suggested that the experts might meet together, with a view to seeing what was the total amount of agreement between the Allies. The experts might prepare some kind of a statement and the arguments to be employed, so that later on the conference would be ready to submit

³ See No. 15, Appendix 1.

definite proposals for the consideration of the Greeks and Turks. He added that anyone who had bought carpets in the East knew exactly what was going to happen at the conference.

MR. LLOYD GEORGE said that in his opinion this was not a question for the experts, but for the heads of Governments, who must take the responsibility for deciding the great questions of policy at issue. He was certain that the best course would be for the Allies to meet, after hearing both sides, as they would then be in a much better position to judge the case on its merits.

M. Briand agreed that, if the Allies hoped to reach some good and lasting conclusion, the heads of Governments must assume the responsibilities for the decisions ultimately reached. As he had already pointed out, the two parties most closely concerned in the question would not take the responsibility upon themselves of settling the difficulties, but would, in the end, he felt sure, be quite ready to hand over to the Great Powers the task of imposing a solution which commended itself to those Powers.

LORD CURZON pointed out that the Turks from Angora would only arrive in London that night, and that if the conference decided to hear their views on the following morning, this would occupy most of the day, and then it would be necessary to hear the views of the Greeks. There was no reason why the views of the latter should not be heard first, and he suggested that the conference should meet the Greeks that afternoon. The result of the meeting between Mr. Lloyd George and M. Kalogeropoulos, in the course of which suggestions had been made to the latter indicating possible solutions, had been an unfavourable reply. The Greek Government was apparently determined to re-embark upon hostilities. Let the conference summon the Greeks, and find out exactly what their plans are; what forces they have at the present time in Asia Minor, and to what extent those forces can be augmented; what is their present financial position, and how long they can maintain hostilities with their existing financial resources; and when those resources come to an end, what steps do they propose to take to raise more money. If the attitude of the Greek Government was that the Treaty of Sevres must be maintained to the letter, the Allies were entitled to know how the Greek Government proposed to secure such maintenance.

Mr. Lloyd George said that he agreed with this suggestion. He reminded the conference that there was a great deal of business to be done both with the Greeks and the Turks, and that no time should be wasted. It was possible, however, that the Turks might not be ready with their case tomorrow morning.

M. Briand agreed with Lord Curzon's proposal, and thought it would be desirable to have the military experts present at the discussion.

The conference decided—

That the Greek delegation should be invited to attend a meeting of the conference at St. James's Palace at 4 p.m. that afternoon, and that this meeting should be attended by the military advisers of the various delegations.

2. Plebiscite in Upper Silesia

M. Berthelot reminded the conference that the question of the plebiscite in Upper Silesia had been discussed at some length at the conference held in London in December 1920.4 At that conference the French Government had made a proposal that out-voters should record their votes in Upper Silesia fourteen days after the voting of the residents had taken place.⁵ In making this proposal, the French Government was actuated by the desire to maintain order, and they were advised that this solution would enable order to be kept without very great difficulty. The French proposal had not, however, found favour at the London conference, and the British Government had then proposed that, if both the German and Polish Governments would agree, the out-voters should record their votes in some cases outside Upper Silesia in circumstances which would ensure that the voting was properly and fairly conducted.6 The London conference had accepted the British proposal, with the proviso that, if the German or Polish Governments rejected it, the French proposal should be adopted.⁷ In point of fact, both the German and Polish Governments rejected the British solution.⁸ The Council of Ambassadors at Paris then informed both these Governments that the out-voters would vote in Upper Silesia fourteen days after the date of the plebiscite, and took steps with a view to the plebiscite being held on the 20th March.9 He urged that the conference should telegraph to-day confirming the decision of the London conference.

M. Berthelot added that, when the French Government had asked the British Government to reinforce the British troops in Upper Silesia, the British Government had offered an additional four battalions of infantry, but had said that on reconsideration it was felt that the voting should all take place on one day, this being the view of Colonel Percival, the British representative on the Inter-Allied Commission of Control, who apprehended very serious disturbances if the voting took place on two dates. 10 The view of the French Government was that there was no reason whatever for disturbing the arrangements made for the holding of the plebiscite, and that it would be very regrettable if the Allies decided to reverse the decision taken in London. II Such action would merely encourage the Germans in their obstructive policy. He again urged that a telegram should be at once sent to the Inter-Allied Commission of Control confirming the previous decision and getting rid of this very troublesome and poisonous question.

LORD CURZON said that the matter was not quite so simple as M. Berthelot had represented. He (Lord Curzon) agreed with M. Berthelot's statement as to what had happened at the London conference. After the German and Polish Governments had rejected the British proposal, the situation had

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4 See Vol. VIII, No. 96, minute 3.
6 See ibid., p. 822.
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⁵ See ibid., p. 821. ⁷ See ibid., p. 826.

⁸ See Vol. XI, Nos. 100, 108-9, 111, 114.

⁹ See ibid., Nos. 109, 114-15, 120, n. 1.

¹⁰ See ibid., Nos. 125, 129, 138, 145-6, 148-9, 151.

¹¹ See ibid., Nos. 148 and 151.

undergone a very material change. Colonel Percival had reported that, if the voting took place on two different days, the result would undoubtedly be that unfair pressure, intimidation, and possibly violence, would be used against the out-voters. This would be followed by the gravest disorders and rioting, and, so far from the French proposal producing peace, it would be much more likely to lead to disorder than any other solution. The number of out-voters had turned out to be not nearly so numerous as had been contemplated, and probably did not exceed 150,000 in all. These views by Colonel Percival were shared by the Italian commissioner, and the commission had decided against the French view by a majority of 2 votes to 1.12 The French had then appealed to the Council of Ambassadors at Paris, where again the decision was given against them by the same majority.¹³ In these circumstances, the British Government found it extremely difficult to accept the French point of view. The position of the British Government was somewhat peculiar. It was not at all anxious to send four battalions to Upper Silesia, and would, in fact, only send those battalions in order to assist in the carrying out of a policy with which it was in sympathy, but, in view of the voting, both at the Commission of Control and at the Council of Ambassadors, the British Government felt very great doubt about sending the four battalions. The French Government would assume a serious responsibility if grave disturbances occurred from the carrying out of their policy and the number of troops proved insufficient to maintain order. He hoped, therefore, that the views of the majority of the Upper Silesian Commission and the Council of Ambassadors would prevail and that the French Government would give way. He felt sure that Count Sforza would support him in this request.

M. Berthelot asked to be permitted to clear up certain points of doubt. He stated that no vote had actually been taken on the Upper Silesian Commission, the fact being that Colonel Percival had taken one view, the Italian colonel had taken another view and General Le Rond¹⁴ had taken a third view, and was convinced that a policy, either of delay or of a single day for voting, would provoke far greater disorder than the French proposal. General Le Rond was of opinion that he could maintain order with his existing resources, provided the decision of the London conference was maintained. It was most important that the decision of that conference should not be altered by the mere disinclination of a subordinate body like the Inter-Allied Commission of Control to carry out the decision. The French Government must press for the maintenance of the arrangements agreed to in London.

LORD CURZON said that he thought that M. Berthelot had not been quite correctly informed, and he proceeded to read Colonel Percival's despatch, from which it was clear that Colonel Percival's proposal was carried by the majority vote of the commission, and that the proposal was not ultimately

¹² See Vol. XI, No. 147.

¹³ See ibid., No. 151.

¹⁴ President of, and French representative on, the Inter-Allied Administrative and Plebiscite Commission in Upper Silesia.

sent forward because the statement which General Le Rond insisted on appending to it was not acceptable to his colleagues on the commission.¹⁵

Count Sforza said that in this matter the attitude of the Italian Government was inspired by one consideration only, namely, to have the plebiscite taken in the fairest and most impartial manner possible. Three different opinions had been expressed in the Upper Silesian Commission, and that of the Italian commissioner approximated very closely to the view of the British commissioner. Italy was reinforcing her troops in Upper Silesia by 2,000 men,¹⁶ and had asked the Italian commissioner whether the latest information available had caused him to alter the views which he had previously expressed. He (Count Sforza) realised the great importance of maintaining the decisions of the Supreme Council when reached, but he also felt that the maintenance of order was in this case of vital necessity, and the Italian Government had given evidence of their interest in the matter by sending this heavy reinforcement of 2,000 men.

M. Berthelot said that, while he was not possibly as fully informed as Lord Curzon, he felt sure that their points of view were very much the same. The French Government could not overlook the fact that they were maintaining much larger forces in Upper Silesia than the other Allies, and that their responsibilities were correspondingly greater.

M. Briand said that the one thing which struck him as very serious was that a decision taken by the conference of London should be questioned and disregarded by the local Silesia commission. The heads of Governments had taken their decision not on the number of out-voters, but on the question of the maintenance of order. He was most averse from taking any action which would have the effect of delaying the plebiscite.

MR. LLOYD GEORGE said that he wished to say one or two things, and that he would speak quite plainly. The Allies were principally concerned in seeing that the honest opinion of the inhabitants of Upper Silesia was obtained on the question of whether they wished to be Poles or Germans in future. Secondly, the Allies were interested in getting the plebiscite over quickly, in order that peace might be restored and the whole district settled down to industry and production. As regards the first of these considerations, he had an uneasy feeling that the Polish Government thought that some election advantage or other was to be gained by holding the plebiscite of the outvoters on a separate day. General Le Rond was a very able man, who held extreme pro-Polish views. He had been violently opposed, in the first instance, to the plebiscite, and his sympathies with Poland were so strong that it might be difficult for him to be impartial. In this matter it was the duty of the Allies to see fair play, and no greater mistake could be made than to think that it was in the interest of the Allies that Upper Silesia should become Polish. He wished to emphasise a consideration which possibly was not often referred to, but was a most important one, namely, that in some respects the Allies were endeavouring to pursue irreconcilable policies.

¹⁶ Cf. Vol. XI, No. 151.

¹⁵ The reference is to Oppeln despatch No. 345 of Feb. 9; see Vol. XI, No. 147, n. 5.

All the Allies were interested in the question of reparations, and none more so than France. The figures which had been arrived at in Paris were based on Upper Silesia remaining German.¹⁷ If, on the other hand, Upper Silesia went to Poland, the basis of the Paris figures would have gone, and the whole reparation question would be made enormously more difficult. The result of losing Upper Silesia would be that Germany would have to import half her coal from outside her borders, and would have to buy exchange in order to pay for this imported coal. In these circumstances, he challenged the French Government to produce a single sane financial expert to say that the Paris figures could be paid. In this country we had experience of out-voters. He himself had always objected to them. His colleague, the Secretary of State for Foreign Affairs, on the other hand, had always regarded their existence as essential for the security of the Constitution. These out-voters had always voted on the same day with the other voters. Had they been obliged to vote on a different day they probably would not have been allowed to vote at all. So far from the French proposal helping order, it was just the kind of proposal which would provoke disorder. It was highly important that the Allies should not give the impression that they were aiding and abetting the Polish Government in an attempt to 'gerrymander' the plebiscite, especially if the result would be to deprive the Allies of the possibility of getting reparation. He again emphasised the importance of not pursuing irreconcilable policies.

M. Briand said that he felt the full force of the arguments brought forward by Mr. Lloyd George, but they would have had even greater force and cogency had they been used at the London conference when the whole position had been carefully considered and a decision taken. To adopt the British proposal after what had happened would be to appear to give way to German importunity. The extent of the good faith of the Allies was demonstrated in that they were proposing to maintain a decision which might be detrimental to themselves in the matter of reparation. General Le Rond was a good officer, who had kept order in Upper Silesia in circumstances of very great difficulty, and who might in the near future have to face even more troublesome issues. Above all, nothing should be done to delay the holding of the plebiscite, and he urged that the view of the French Government should be accepted.

MR. LLOYD GEORGE said that the French proposal could not be justified by reference to the treaty. If Germany got it into her head that the Allies would vary the treaty whenever it was in their favour to do so, but would maintain it to the letter when it was against Germany, the treaty itself would become a discredited document. Let the Allies in this matter stand by the treaty. The Poles had originally asked for the vote to be taken on one day; but when they discovered that this would probably be prejudicial to them they had pressed for different dates, not on the ground of the maintenance [?of] order, but so that they might get electoral advantages. Let the Allies stand by the treaty in this as in other respects.

17 See No. 11, Appendix 1 (iii).

M. Briand said that there was nothing in the treaty on this point.

MR. LLOYD GEORGE explained that the assumption in the treaty, as in an Act of Parliament, would be that the voting should be on the same day unless the contrary was expressed. He hoped the French Government would adopt the views of their Allies. If there was anything which involved the honour of France he could understand the French Government holding out; but this was a matter merely of machinery, and he felt sure that there could be no real justification for the French continuing to oppose the wishes of Great Britain and Italy in this matter.

M. Briand said that the French delegates had come to London basing their claim on the decision of the London conference, and fortified by the views of General Le Rond as to the certainty of serious trouble if that decision was modified. Germany was strongly in favour of all the voting taking place on one day, and this was a consideration which the Allies should not overlook.

LORD CURZON said that M. Briand appeared to base his conclusions first on the decision of the London conference, and, secondly, on the fear of disorder. He (Lord Curzon) had had great experience of these inter-Allied conferences, and he could assure M. Briand that there was nothing unusual or novel in a conference altering the decisions of its predecessor. In this matter the British Government was influenced solely by the desire to maintain order, and the Italian commissioner had based his support of the British commissioner on this same consideration.

M. Briand said that he personally had a special responsibility in this matter. France was maintaining 13,000 men in Upper Silesia, and the responsibility for those men rested with the heads of the French Government. It was a very serious matter that Germany, who already knew the decision taken at the London conference, should learn that her obstructive tactics had resulted in a division of the Allies out of which she could derive benefit. The attitude which Great Britain was adopting would encourage Germany to make fresh demands.

MR. LLOYD GEORGE enquired whether M. Briand meant that the Allies would be morally strengthened by refusing anything which Germany asked for, whether the request was just or unjust? He himself would have thought that the reverse was the case. Quite candidly, the British and Italian Governments had come to the conclusion that the decision taken at the London conference was wrong. General Le Rond was apparently prepared to carry out his policy without the help of British troops. He would remind M. Briand that the Allies had assumed different responsibilities in different parts of the world, and that it would be most serious if the view was to prevail that wherever a particular Ally had assumed greater responsibilities the will of that Ally should prevail over the other Allies. If division was to be on lines of that kind, then there would be an end to the alliance.

M. Briand said that he would not like the conference to remain under the impression conveyed by Mr. Lloyd George. He had never said that General ¹⁸ Cf. Vol. XI, No. 151.

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Le Rond wanted no more troops. On the contrary, he had just asked for 6,000 more men.

MR. LLOYD GEORGE ejaculated that General Le Rond had said that he could do without British troops.

M. Briand, resuming, repudiated the suggestion that because France had a majority of troops in Upper Silesia her view should necessarily prevail. Any modification of the decision of the London conference would involve a delay of at least a month, and nothing could make him alter his view that the modification would result in very serious disorder.

LORD CURZON pointed out that the adoption of the British proposal would not involve delay. On the contrary, it would enable the whole plebiscite to be got over fifteen days earlier than would otherwise be possible.

M. Berthelot could not agree with this view. The arrangements had been made on the basis of voting on two days. If 150,000 extra voters had to vote on the same day as the residents, the arrangements would have to be materially altered, and this would involve at least a month's delay.

MR. LLOYD GEORGE said that a question had arisen of a much more serious character than the plebiscite in Upper Silesia. This question, which had not now been raised for the first time, was the right of one Ally to override the views of the others. If the French attitude was that whenever there was agreement between the Powers the agreed course should be followed, but whenever there was disagreement the view of France should prevail, it was important that the Allies should know at once. The Germans would be coming to London the following week, and it was most important that the British Government should know where they stood in the matter.

M. Briand said that there was no question of trying to change a majority into a minority vote. Conferences of this kind became difficult if one party was to be charged with wishing to force the hand of the others. The French Government had merely brought forward certain arguments, and expressed the French point of view on this question.

COUNT SFORZA was convinced that the Polish Government had given quite undue prominence to this out-voter question. He suggested that it might be as well to await a further report from the Italian commissioner on the present situation.

MR. LLOYD GEORGE thought that an immediate and final decision should be come to.

M. Briand said that if the conference thought that a decision should be taken, France would bow to it, but must remember the responsibility which fell upon her.

COUNT SFORZA said that M. Berthelot had just reminded him that the Italian commissioner had proposed that the voters should vote at the same time, but in different zones.

MR. LLOYD GEORGE said that the only question was whether the minority in this case, namely, France, would give way to the views of the majority.

M. Briand said that France would defer to the views of the other Allies. The conference agreed—

That the plebiscite in Upper Silesia should take place, as regards all the voters, on the same day, the 20th March, if possible, and in any case at the date nearest to it.

The conference took note of the undertaking of the British Government to place four battalions at the disposal of the Plebiscite Commission.

After the meeting, a telegram, in the form given in Appendix 2, was despatched to General Le Rond by Mr. Lloyd George, as president of the conference.¹⁹

- 2, Whitehall Gardens, February 21, 1921.
 - 19 Not here reprinted since it is printed in Vol. XI, No. 153.

APPENDIX I TO No. 16

Note handed to Count Sforza, in Rome, by the Angora Delegation

The Grand National Assembly of Turkey has learned indirectly of the decision taken by the Allied Powers on the subject of the participation of its own delegates at the conference which is about to meet in London to consider the question of the Turkish peace.

The Grand National Assembly of Turkey, being the only legitimate representatives of the Turkish nation, must insist on being directly invited to this conference. However, to show its goodwill, and as a demonstration of its sincere desire to subscribe to a peace which will assure to the Turkish people its independence and free development, it has decided to despatch its delegates to a town in Europe from which they will easily be able to reach the place of conference. The delegates of the Grand Assembly, who arrived on the 17th February in Rome, think that they ought to wait for an invitation. They can only express the hope that if the Allied Powers have a genuine intention of carrying out justice and peace in the East, they will take steps to address the necessary invitation to the delegation of the Grand National Assembly of Turkey, the only mandatory of the Turkish nation.

In sending the above for the consideration of your Excellency, the Turkish delegation has the honour to convey to you the assurance of its highest consideration.

No. 17

I.C.P. 159] British Secretary's Notes of an Allied Conference held at St. James's Palace, London, S.W., on Monday, February 21, 1921, at 4 p.m.¹

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister (in the Chair); The Rt. Hon. the Earl Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; MILITARY EXPERTS, Major-General Sir W. Thwaites, K.C.M.G., C.B., Director of Military Intelligence; Colonel Ker; Political Experts, Mr. Kerr, Mr. Vansittart; Secretaries, Sir M. Hankey, G.C.B., Mr. Howorth, Major Caccia, Mr. Sylvester.

A French translation of Sir M. Hankey's notes of this conference is printed in Frangulis, vol. ii, pp. 183-94.

France: M. Briand, M. Berthelot, Count de Saint-Aulaire; MILITARY EXPERTS, General Gouraud, Colonel Georges, Colonel Mougin; POLITICAL EXPERTS, M. Kammerer, M. Brugère; SECRETARY, M. Massigli.

Italy: Count Sforza, Signor de Martino; Political expert, Signor Galli; secretary, Signor Guariglia.

Japan: Baron Hayashi, Mr. Nagai; MILITARY EXPERTS, General Watanabe, General Itamy, Major Kawaise, Captain Sakai; SECRETARIES, Mr. Saito, Mr. Yoshizawu [Yoshizawa].

INTERPRETER: M. Camerlynck.

GREEK DELEGATES: M. Kalogeropoulos, Prime Minister of Greece; M. Rizo-Rangabé, Greek Chargé d'Affaires in London; Colonel Exadactylos, Colonel Sariyannis, Colonel Lacon.

Mr. Lloyd George said it was his privilege to open this the first sitting of the conference, which would deal with problems arising out of the Treaty of Sèvres. It would be within the memory of those present, that the Greek Government of the day—that is, two years ago—occupied Smyrna at the request of the Allied Powers with a view to restoring order as the mandatory of the Powers. And that occupation had continued uninterruptedly to the present day.

A treaty had been signed at Sèvres last year by the Allied countries and by the representatives of the Turkish Government, whereby Thrace and the vilayet of Smyrna had been allocated to Greece. The treaty contained other provisions which, however, did not concern the conference at the present moment, but which might eventually be raised by the Turkish delegation when it came to present its case.

Since the signature of the Treaty of Sèvres, much disturbance had occurred in Asia Minor, and considerable forces under Mustapha Kemal Pasha had been fighting against the provisions of the treaty. As a result, a general desire had been expressed that efforts should be made to restore peace, by common consent, in that very disturbed area of the world. Therefore, with the object of ascertaining whether it would be possible to arrive at an agreement acceptable to all parties concerned, this present conference had been summoned. The Greek and Turkish Governments had been invited to send representatives, and he was glad to welcome the Greek Prime Minister who had come in person to represent the Greek Government.

The Greek Government had collected together considerable quantities of armaments in the area in question; they had been engaged in military operations, and the conference would now wish to hear what the Greek Prime Minister had to say in regard to the suggestions which had been put forward to modify the Treaty of Sèvres in such a way as to make it more acceptable to all parties concerned. Furthermore, the conference were anxious to obtain from M. Kalogeropoulos information which would assist it to come to a conclusion upon the various proposals which had been brought forward. The information required might be put in the form of questions as follows:—

- 1. What was the military situation in Asia Minor on the Turkish front in so far as the Greek forces are concerned?
- 2. What was the strength of the Greek forces?
- 3. What was the information of the Greek Government as to the *moral* of the Greek soldiers, and the effect produced upon the army by the very considerable recent change of officers?
- 4. What was the forecast of the Greek Government as to the results of the military advance which they are prepared to make?
- 5. For how long would the Greek Government be prepared to maintain their present forces out of their own resources, and even to augment them in the manner proposed by the Greek Government?
- 6. From what sources would any further expenditure be defrayed?

Additional question—

What permanent forces were the Greek Government advised would be necessary to maintain in the Smyrna and Thrace areas, and whether they considered themselves in a position to maintain adequate forces for the permanent defence of the provinces of Smyrna and Thrace against a hostile Turkish neighbour?

Before asking the Greek Prime Minister to reply to these various questions, he would enquire from the French, Italian and Japanese representatives whether they desired to add anything thereto.

M. Briand agreed that the issue had been stated quite clearly by Mr. Lloyd George.

COUNT SFORZA agreed that the whole ground had, he thought, been covered, especially in regard to the last question upon which he laid great stress.

BARON HAYASHI² said that he had nothing to add.

M. KALOGEROPOULOS said that he fully realised the importance which the conference attached to the pacification of the countries in question at the earliest possible date. Mr. Lloyd George's first question related to the military situation in Asia Minor, and he would deal in turn with each of the existing three fronts.

On the northern front (Armenia) operations were practically suspended for the time being. The Ottoman troops on that front did not exceed 4,000 or 5,000 in number. On the southern front (Cilicia) some 10,000 Turks were present, in addition to some 5,000 to 7,000 irregular free lances. On the western front, the Kemalist troops numbered under 35,000, including irregulars who had been recruited by force, and only fought as men forcibly enrolled usually did. He thought it unnecessary to enter into further details in regard to these figures, but, if necessary, the Greek Chief of the General Staff, who was present,3 could give exact information as he had come direct to London from the Smyrna front. Facing Mustapha Kemal in the whole of Asia Minor, Greece possessed, at the present moment, 121,000 soldiers under arms, including combatants and non-combatants. He could affirm with

² Japanese Ambassador in London. ³ Col. Sariyannis.

absolute confidence that this figure was absolutely accurate, and he considered that this force would be more than sufficient to restore order, should the Greek Government receive a mandate to do so. He had been asked how long it would take to restore order, by which he meant, to sweep the country clear of Turks. His military advisers had stated that it would not take more than three months. Within that period he felt confident that the Greek troops would be able to annihilate the forces of Kemal and those who were putting to naught the provisions of the Sèvres Treaty.

MR. LLOYD GEORGE enquired whether he had correctly understood M. Kalogeropoulos to say that the total number of Turkish troops on the various fronts totalled 55,000 including combatants and non-combatants.

M. KALOGEROPOULOS replied that the rationed strength could not exceed 65,000 men including combatants, non-combatants and irregulars.

MR. LLOYD GEORGE enquired as to what interpretation should be placed on M. Kalogeropoulos's statement that the country would be swept clean of Turks. What part of the country did he allude to?

M. Kalogeropoulos replied that he had referred to the whole of the country occupied by the Kemalists. As a result of the operations contemplated by the Greek Government, Mustapha Kemal's forces would be so scattered as not to be able to offer any resistance in the future.

LORD CURZON enquired up to what point the Greek troops contemplated advancing.

COLONEL SARIYANNIS replied that the Greek troops contemplated advancing as far as Angora as a first stage, and this advance would, it was thought, lead to the complete dissolution of the main forces of Mustapha Kemal. The Greek General Staff believed that the crumbling of Kemal's forces on the western front would necessarily lead to the complete disappearance of the whole of his forces. The Greek Government were ready to start this operation at any given moment.

LORD CURZON enquired whether it had been intended to include the division under General Harington, known as the Manissa Division, among the forces to be used against Kemal.

COLONEL SARIYANNIS replied in the affirmative.

MR. LLOYD GEORGE asked M. Kalogeropoulos next to give some information in regard to the *moral* of the Greek army in Asia Minor.

M. Kalogeropoulos replied that the moral of the Greek army was excellent from every point of view. The Greek soldiers at present in Asia Minor were only too anxious to continue to fight, particularly at the present moment on account of their being irritated by the recent aggressions of the Kemalists. In a recent engagement 2,000 Turkish prisoners had been taken, including 1,100 men who were found to be in a state of utter destitution—in rags, starving, and in a sad plight. He had no hesitation in affirming that the Kemalists were in fact not regular soldiers; they merely constituted a rabble worthy of little or no consideration. The recent political events in Greece had in no way affected the moral of the Greek army. The Greek army fully realised that it belonged to the nation as a whole, and not to any par-

ticular faction, and if called upon by the nation it would never fail to respond and do its duty. At the present moment the army was ready to make any sacrifice without the least hesitation. He could assure the conference that in reality little or no change had occurred in the personnel of the officers. A few (some twenty or thirty) had left and gone towards Constantinople, but by far the greater number had remained faithful to their duty. His confidence in the Greek troops was absolute, and their courage was undoubted. And, should it be found necessary to take further action, all that might be required would undoubtedly be achieved.

MR. LLOYD GEORGE desired to invite M. Kalogeropoulos's attention to another question in regard to which the conference, and especially Count Sforza, attached considerable importance. Suppose the Kemalist troops were scattered, and the Greek troops retired within their own frontiers where they might have to meet a constant menace of attacks from small forces of Turks, it would be necessary for the Greeks to maintain an army which would be sufficient to defend the Smyrna Vilayet. The following questions then arose:—

- 1. What forces did the Greek military advisers consider it necessary to maintain constantly in the vilayet?
- 2. Did the Greek Government feel that it could sustain that burden, both from a military and from a financial point of view?

M. Kalogeropoulos thought that the situation contemplated by Mr. Lloyd George would never arise. As a result of the operations contemplated by the Greek army two solutions might be possible. In the first place a very large number of Kemal's forces might be made prisoners, in which case the danger of subsequent attack would no longer exist. In the second place Mustapha Kemal's forces might retreat and disappear, but the danger of subsequent attack would, in that case, not be much greater, since the operations contemplated by the Greek army would drive Kemal's forces so far from all communications as to make it impossible for them to refurnish. In other words, should Mustapha Kemal retire far from the present theatre of operations, he would thereby be deprived of all means of subsequent attack through lack of communications.

Count Sforza said that the conference had learned that in the opinion of the Greek Prime Minister and his advisers the Greek army could in three months reach Angora, shattering and finally dispersing Mustapha Kemal's forces; and should these operations succeed as contemplated, he agreed that the Turkish forces would thereby lose all power of subsequently harassing the Greek forces. But should the Greek army, on the other hand, reach Angora, without coming into contact with Mustapha Kemal's army, owing to the latter having retired, he thought that a very serious situation would thereby undoubtedly be created—a situation which might be likened to that which had led 105 [sic] years ago to the downfall of a great army led by one of the world's greatest generals.

4 The reference is presumably to Napoleon's Moscow campaign of 1812.

M. Kalogeropoulos replied that if the Greek army reached Angora, and Kemal's forces retreated further, it would naturally follow that the whole of his troops would be bound to disperse and scatter, because it would be impossible for them to find the wherewithal to live in those parts. The Turkish troops in Asia Minor could no longer be compared to the fanatical Ottoman soldiers of the past. They were merely kept together by force. Consequently, famine and want, and lack of communications would thoroughly complete anything that might be left undone by the Greek army. But, if necessary, the Greek armies were quite prepared to advance beyond Angora, so as thoroughly to achieve the object in view, and, in his opinion, they ran no danger of meeting the same fate which had overtaken Napoleon's armies.

In reply to further questions put by Mr. Lloyd George, M. Kalogeropoulos stated that Angora formed a railhead and that a Decauville line⁵ proceeded beyond to a point 60 miles east of Angora. Consequently the Turks would not be able to proceed by rail further than 60 miles east of Angora, and since they possessed no means of transport, their retreat beyond that point would necessarily result in the dissolution of the regular army. Only a very small body of soldiers would be able to live on the country, which was, moreover, mountainous.

Mr. LLOYD GEORGE enquired whether it would be found difficult for the Greek army to maintain its line of communication should the Turks start a guerilla warfare with a view to cutting the same.

COLONEL SARIYANNIS replied in the negative, for the reason that the lines of communication had so far never been attacked by the Kemalists. The Greeks had learnt from experience that they had nothing to fear in that direction. Three regiments had been found sufficient to protect the lines of communication.

MR. LLOYD GEORGE pointed out, on the other hand, that as the Greek army advanced in hostile country more troops would be required to protect the lines of communication.

COLONEL SARIYANNIS agreed; but he could affirm that the Greek General Staff knew exactly how many troops would be required for that purpose.

LORD CURZON pointed out that beyond Angora no railways existed.

Mr. LLOYD GEORGE enquired whether the Greek population of Smyrna were taking any part in the fighting. In other words, did the Greek inhabitants of Smyrna show any inclination to fight for their liberty.

M. KALOGEROPOULOS replied that in addition to the Greek subjects who were liable to conscription, a few volunteers had enlisted, but they had not been encouraged to do so, as thereby one of the stipulations of the Sèvres Treaty would be broken.

MR. LLOYD GEORGE enquired how many men the Greek Government would be able to put in the field in addition to the 120,000 men above referred to.

M. KALOGEROPOULOS replied that the Greek Government would be able to put in the field as many men as might be needed.

5 i.e. a narrow-gauge railway, named after its inventor, M. Decauville.

MR. LLOYD GEORGE enquired what would be the limit of their possibilities in that respect.

M. KALOGEROPOULOS replied that Greece would be able to put 200,000 men in the field in addition to the 120,000.

MR. LLOYD GEORGE asked whether amongst those 200,000 men would be included Greeks recruited in Thrace.

COLONEL SARIYANNIS replied that the army in question would be recruited merely from the Greek provinces.

MR. LLOYD GEORGE requested M. Kalogeropoulos to give a reply in regard to the next question, namely, whether the Greeks felt able to face the financial burden of putting through the contemplated operations.

M. Kalogeropoulos said he was able to answer that question in the affirmative without the slightest hesitation even though he realised that these operation[s] would necessarily entail certain financial sacrifices. On the other hand it would be realised that Greeks had not incurred such heavy financial liabilities as other countries during the world war. At the present moment Greek citizens contributed to the taxes of the country per head of population only 840 fr.: whereas the citizens of other countries were required to make far greater sacrifices. It must therefore be admitted that the resources of Greece had not yet been exhausted, but to enable Greece to wage war by means of her own resources she must not be prevented from freely using her credit. In other words, if the Powers would permit Greece to raise the necessary resources she would be able to carry through the contemplated war and rapidly reach a decision.

MR. LLOYD GEORGE enquired whether any enthusiasm existed amongst the population of Greece in regard to the liberation of the Greek population in Asia Minor. How would the Greek people as a whole without reference to any particular political party view the removal of the Greek flag from Asia Minor.

M. KALOGEROPOULOS had no hesitation in stating that no difference of opinion whatever existed in Greece on the national question. All Greeks would be ready to make every sacrifice to deliver their brethren in Smyrna. It would be wicked to suspect Greek patriotism in regard to this question.

MR. LLOYD GEORGE asked whether any difference existed between Constantinians and Veniselists in regard to Smyrna.

M. Kalogeropoulos affirmed that in regard to internal questions considerable differences of opinion existed, but in regard to Smyrna the whole of the people were unanimously agreed. All Greeks loved their country and were ready to sacrifice themselves for their country.

MR. LLOYD GEORGE enquired whether the Constantinians would be prepared to make the same sacrifice for the retention of Smyrna as Veniselists.

M. KALOGEROPOULOS said that there was no doubt of any kind in regard to that question. He himself had come to the conference to proclaim to the world that Greece was absolutely united on that point.

M. Briand said he had listened with the greatest interest to the statements made by the Greek Prime Minister. He personally did not for a moment

doubt the patriotism of all Greeks and their desire and will to give expression to it in a striking manner at Smyrna. But he could not himself be as optimistic as M. Kalogeropoulos in regard to the worthlessness of the Turkish troops. France had maintained in Cilicia a force of 60,000 men, courageous, well-trained, patriotic and well-armed soldiers who had been perfectly equipped with everything that might be required. They had been facing the Turks in that theatre of war for over a year and as a result he personally had come to have a decided respect for this so-called rabble band which the Greek Prime Minister despised. The experience gained by the French forces went to prove that the Turkish army did not disperse as easily as the conference had to-day been led to believe. These forces had inflicted cruel losses on the French soldiers. For a month the French army had invested Aintab which had been fiercely defended.6 In a word the French had found the Turkish troops to be full of pluck; to fight savagely and to dispute every inch of ground. It might be possible that the French had had the misfortune to be faced by the pick of Mustapha Kemal's troops, but before accepting the opinion expressed by M. Kalogeropoulos in this respect he felt bound to ask his military representative, General Gouraud, to give the conference his appreciation of the military situation, especially in regard to the resistance which the Turkish forces might be expected to put forth. He personally felt extremely anxious that the full facts should be ascertained before a decision was reached, since every conflagration started in those Eastern countries should be quickly extinguished, as otherwise one fire would undoubtedly give rise to others.

MR. LLOYD GEORGE desired, on behalf of the British mission to extend a hearty welcome to General Gouraud, who had come to London for the first time to attend a conference. The British army felt the greatest admiration and regard for General Gouraud, not only on account of his brilliant achievements and victories in France in the hour of greatest need, but more especially in regard to his work in Gallipoli, in connection with which the British soldiers invariably spoke of him in the most affectionate terms. Therefore, on behalf of the British delegation, he wished to give him a specially warm welcome to the conference, and anything that he might say would be listened to with the greatest respect and would undoubtedly carry great weight.

GENERAL GOURAUD expressed his warm thanks to the British Prime Minister for the words which he had uttered and which had greatly touched him. Ever since 1914 he had witnessed with the greatest admiration the wonderful courage invariably displayed by the British troops, but he would unhesitatingly affirm that he had never seen braver troops than those who landed on the Gallipoli Peninsula in April 1915.

In replying to the questions which had been put to him, he wished to weigh his words very carefully, both in regard to the value of the Turkish troops and in regard to the operations contemplated. The Greek Prime Minister had expressed what he, General Gouraud, must consider to be very optimistic

6 In May 1920.

views in regard to the value of the Turkish troops. He fully admitted that the Turkish troops which they had had to deal with in the Dardanelles belonged to the old traditional Ottoman type, and undoubtedly the troops of to-day were not as good as those of 1915; but they were still dangerous adversaries, and not to be lightly despised. It was possible, also, that the troops in the Smyrna area differed considerably from those in the Cilicia theatre of operations. Turkey in Asia was not a properly administered country, and evidence undoubtedly existed that the people of the western part of Asia Minor had contributed far more troops to the war than the people of the east. This fact might explain the reason why the Turkish troops at Smyrna were said to be bad, whereas further east the adversary was found to be better equipped.

The Greek Prime Minister had likewise referred very scathingly to the Turkish irregular troops. The Turkish forces might be divided into three groups, namely:—

- 1. The regulars, the remainder of the old Turkish army, numbering some 15,000 to 20,000 men.
- 2. The Nationalists, or regular national forces, which might be likened to the 'Franc-tireurs' of 18707—patriots who were fighting with ardour, obeying the call of the feudal magnates of the country.
- 3. The irregulars, or 'brigands,' who had been raised during the past year of war, and who preferred war to agriculture. These forces were undoubtedly inferior to the above two groups, but made up numbers, and could not be altogether neglected.

Opposing these forces there existed under his command 50,000 French troops of excellent quality, French, Algerians and Senegalese, men who had displayed the same valour and the same military qualities as similar troops had done during the Great War. The siege of Aintab had been a very difficult and arduous task, which had been likened by the Turks to the siege of Verdun. Taking these facts into consideration, he thought that if the Greeks advanced they would find themselves confronted by an enemy far more dangerous than the one which they had had to deal with in the Smyrna Plains.

In the next place, in regard to the operations contemplated, the Greeks would have a force of 60,000 men, since it would only be found possible to make use of half the total number of troops actually available in the country. These 60,000 men would be expected to proceed a distance of 600 kilom. from the base to Angora, a distance which would have to be increased by 300 kilom. should the Kemalist forces retire to Sivas. Angora and Sivas were situated at elevations of 800 and 1,500 metres respectively, thus giving very cold climates. In addition, he could positively state that the Decauville Railway from Angora had been dismantled. He need not, therefore, lay stress on the difficulties which would exist in taking an army to a distance of 600 kilom. from its base in such a country. Furthermore, he would ask

7 Guerrilla fighters in France at the time of the Franco-Prussian war.

the conference to realise what exactly would happen should the Turks retire. They would still be in their own country, and would be able, without difficulty, to disperse, with the result that the Greek army would find itself in a very critical position.

To sum up, had he been in command of the forces at Smyrna, and had the French Government asked him to do the work now contemplated by the Greek Government, he would not have forgotten that Marshal Foch had estimated that a force of twenty-seven divisions would be required to pacify this country.8

MR. LLOYD GEORGE, intervening, remarked that the twenty-seven divisions were required to pacify the whole of Asia Minor.

GENERAL GOURAUD, continuing, said that the Greek Prime Minister had also very correctly spoken of the moral and patriotism of the Greek troops. This was undoubtedly an essential condition of success, but he personally was convinced that the Turks, though perhaps not keen in the offensive, would be found to be dangerous enemies in a defensive war. He would repeat the words spoken to him in May last at Beirout by a representative Turk, who had told him that no Power would ever succeed in driving the Turks from the central plateau of Anatolia, which constituted a natural impregnable fortress, and he (General Gouraud) believed that to be the truth. He did not believe that any one nation possessed either the necessary means or resources to achieve the objects contemplated.

MR. LLOYD GEORGE said he would like to ask General Gouraud how many white troops the French had on the Cilician front.

GENERAL GOURAUD replied that the number was about 15,000 in all, of whom very few were non-combatants. In answer to a further question whether he had made a special study of the military aspects of a campaign against Angora, General Gouraud said that he had not done so, but that Colonel Georges⁹ had experience of this particular district and had worked out a scheme of operations.

MR. LLOYD GEORGE then enquired what information the French possessed on the subject of the number of rifles, guns and ammunition in the possession of the Kemalist forces.

GENERAL GOURAUD replied that the Turks appeared to have plenty of rifles and rifle ammunition. They had not, of course, as many guns as the French, but quite a fair number, as was indicated by the fact that in a recent engagement lasting the whole morning the Kemalists had thrown over 2,000 shells, some of them from heavy guns.

MR. LLOYD GEORGE remarked that every battalion on the French front had got that number of shells before breakfast.

GENERAL GOURAUD remarked that in a case of this kind it was not quite fair to compare what happened in France with what was happening in Cilicia. It must not be forgotten that on the French front the soldiers were protected by trenches and dug-outs. In Cilicia the fighting was in the open,

- ⁸ See Vol. VIII, No. 7, minute 1.
- 9 A French representative on the Allied Military Committee of Versailles.

and often at very considerable distances from the base of supplies. His remarks were intended to indicate that the Kemalists could not properly be said to be short of war material.

(The conference then adjourned for tea.)

On resuming, Mr. LLOYD GEORGE said that he thought the best course would be for the conference to hear the remarks of Colonel Sariyannis, the Greek Chief of the Staff, and, after that, he proposed the conference should adjourn. He had just received an intimation that the Kemalist delegates had passed through Paris, and might, therefore, arrive in London to-morrow. He proposed that the Allied delegations should meet at No. 10, Downing Street, at 11 a.m. to-morrow, and possibly see the Turkish delegation in the afternoon.

M. BRIAND and COUNT SFORZA agreed with this procedure.

COLONEL SARIYANNIS said that he felt great diffidence in discussing this question with, and in particular in seeming to differ from, so great and distinguished a General as General Gouraud. He paid an eloquent tribute to the bravery of the French troops and the skill and foresight shown by the French Higher Command. He (Colonel Sariyannis) had served on the staff of a Greek division which had been under the general command of the French at Ghevgeli, and he had also had a very close and intimate knowledge of war conditions in Asia Minor over a long period of time. With all respect to the views which had been expressed by General Gouraud, he felt that the conference should be placed in possession of the views of the Greek High Command. First, with regard to the fighting value of the Kemalist troops on the Greek front, which it had been represented would tend to increase the further the Greeks penetrated towards the east; he thought that in this connection it might be useful to inform the conference of a recent incident which threw some light on the value of the Kemalist forces. A Greek reconnoitring party had advanced towards Eskisher and had fought there with three Kemalist divisions, plus artillery, for the greater part of the morning, turning them out of a strong position which had been carried at the first rush. While it was true that it had been impossible to reap the fruits of the victory, because the Greek Headquarters had recalled the party, for political reasons, the incident showed the small fighting value of these particular Kemalist troops. The conference should remember that the Greek troops were fighting to relieve their oppressed brethren, the recollection of whose wrongs filled them with ardour and enthusiasm. Secondly, the difficulty had been emphasised of operating from Smyrna as a base, and the danger to the Greek lines of communication. On this he would say that the real Greek base against Angora would not be Smyrna, but Brussa, which was only 300 kilom. from Angora. Even if the railway line was rendered useless, it would be possible to organise a service of motor lorries and to requisition supplies from the country while the line was being restored. After the fighting had once taken place he had no serious apprehension on the score of danger to the lines of communication. Thirdly, he wished to point out that according to recent experience not more

than three regiments would be required for duty on the lines of communication. In the Greek army the proportion of non-combatants to combatants was low, but he would be prepared to give further details on this subject to-morrow. The number of men actually required for a successful campaign against the Kemalists was not, in his view, anything like so great as the European military authorities estimated. The Greeks, being an Eastern people, possibly understood the Turks better, and could deal with them with considerably smaller forces than would be the case if a Western Power was campaigning in Asia Minor. Lastly, even if the Greek army had to go as far as Sivas, it was certain that the retirement of the Kemalist army would result in its entire loss of fighting value. In this event the Greeks could considerably shorten their lines of communication by landing on the shore of the Black Sea and establishing a base there.

MR. LLOYD GEORGE said that he would like to ask Colonel Sariyannis two questions. In the first place, the Colonel would no doubt recollect the operation conducted by the Greeks last summer towards Panderma.¹⁰ Before those operations were begun, was it not a fact that the military advisers of the Western Powers had taken a far more serious view of the military difficulties than the Greek staff had done,¹¹ and was it not also true that the anticipations of the Greek staff had turned out to be perfectly correct?

COLONEL SARIYANNIS agreed that this was so. The operation in question was finished in a month; the Turks had been easily defeated, notwithstanding that certain military officers of the Western Powers had warned the Greeks of the formidable dangers in front of them.

MR. LLOYD GEORGE then asked whether Colonel Sariyannis could explain why it was that the Turks were apparently fighting so much better on the Cilician front than on the Greek front. Had Colonel Sariyannis seen anything on the Greek front comparable with the Turkish resistance as described by General Gouraud?

COLONEL SARIYANNIS said that he was not in a position to reply. It might be that the Kemalist troops on the Cilician front were of a tougher or more ferocious type. It was also possible that they included a number of Arabs.

M. Briand then enquired whether Colonel Georges might be allowed to say a few words.

Colonel Georges said that he had had an opportunity of witnessing operations on the Greek front, and desired to pay a high tribute to the zeal of the troops and the capacity of the High Command. So far the Greek army had only met with a feeble resistance, but it was quite possible that when they began to approach Angora they would find their task much more difficult. Mustapha Kemal was reported to have 40,000 men in training camps; numerous officers were constantly joining him from Constantinople, and he was also recruiting Russian officers. It was not inconceivable that the Turks might concentrate at Angora. As regards the question of a base,

¹⁰ See Vol. VIII, No. 26, minute 1.

¹¹ See ibid., No. 7 for a discussion in April 1920 on the naval and military measures needed to enforce the proposed treaty with Turkey.

it must be remembered that for the Greeks to base a campaign on Brussa would mean that they must hold down successfully the whole of Anatolia, and make quite sure of their communications between Smyrna and Anatolia. It had been estimated that the total Greek forces in Asia Minor amounted to eight divisions. Three or four of these divisions would be needed for the defence of Smyrna, and at least two for the lines of communication, which would leave only two or three divisions for the offensive against the Kemalists. In his view it would be running a very great risk to undertake an attack with such small resources, and he could not but feel doubtful whether the Greek resources in men and money were really as great as had been estimated. He could not say that a successful operation against Angora was impossible, but he did say that such an operation undertaken with the existing Greek resources was one of a hazardous character. This was the opinion of the Allied Higher Command, which had also represented that it would not only be necessary to beat the Kemalists in the field, but subsequently to hold down the country, and, in particular, to suppress guerilla warfare.

MR. LLOYD GEORGE enquired whether any Greek representatives had been present at the Allied Military Council when this conclusion had been reached.

COLONEL GEORGES replied that the council had been held in Paris, and the opinion was given on the 27th [? 29th] March, 1920.¹²

MR. LLOYD GEORGE then pointed out that this opinion was prior in date to the carrying out by the Greeks of the successful Panderma operation, when the Allied Higher Command had taken exactly the same view of the strength of Mustapha Kemal and the inadequacy of the Greek forces that they were taking now. He repeated that on that occasion the Allied Military Command had turned out to be wrong and the Greek staff to be right.

COLONEL SARIYANNIS intimated that he would like to make some remarks in reply to Colonel Georges.

MR. LLOYD GEORGE suggested that he should submit any observations he had to offer in writing, and, if necessary, the conference would hear him again.

The conference agreed—

To hold the next meeting at No. 10, Downing Street, S.W., at 11 a.m. on Tuesday, the 22nd February, 1921.

(The proceedings then terminated.)

2, Whitehall Gardens, S.W., February 21, 1921.

¹² For earlier references to this report of the Allied Military Committee of Versailles, see Vol. VIII, No. 7, minute 1 and n. 1.



I.C.P. 160] British Secretary's Notes of an Allied Conference, held at 10, Downing Street, S.W., on Tuesday, February 22, 1921, at 11 a.m.

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister (in the Chair); The Rt. Hon. the Earl Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; POLITICAL EXPERTS, Mr. Kerr, Mr. Vansittart; SECRETARIES, Sir M. Hankey, G.C.B., Mr. Howorth.

France: M. Briand, M. Berthelot; POLITICAL EXPERT, M. Kammerer; SECRETARIES, M. Massigli, M. Chastenet.

Italy: Count Sforza, Signor de Martino; POLITICAL EXPERT, Signor Galli; SECRETARY, Signor Guariglia.

Japan: Baron Hayashi, Mr. Nagai; secretaries, Mr. Saito, Mr. Tsubokami.

INTERPRETER: M. Camerlynck.

1. The Turkish Delegations

MR. LLOYD GEORGE informed the conference that he had learned that the Turkish delegates from Angora had arrived in London, and that a representative of the British Government was at that moment endeavouring to ascertain when the Turkish delegation would be ready to state their case to the conference. The representative would inform the Turks that the Allies would be quite ready to receive them that afternoon at 4.30, if this was convenient to the Turks themselves. Possibly, however, Count Sforza and M. Briand might have some later information on the subject.

Count Sforza said that he had received a visit at 10 o'clock that morning from Osman Nizami Pasha, the second Constantinople delegate and the prospective Ambassador at Rome. The Pasha had informed him that Tewfik Pasha, the Grand Vizier, was indisposed and could not venture out to-day. He (Count Sforza) had replied that while the Grand Vizier was a person of great distinction and prestige, it was possible that the statement which he might have to make could be equally well delivered by some deputy. Osman Nizami Pasha had then stated that the Constantinople delegation had yesterday discussed the situation with the Angora delegation, and the latter had made it clear that they regarded themselves as the only persons who could speak for Turkey in this matter, and that they could not regard the delegation from Constantinople as in any respect representative of Turkish opinion. Ultimately, however, some modus vivendi had been reached, and it was certain that the Turkish factions would not display their differences in the conference itself. If pressed, the Turks would be prepared to come to the conference that afternoon, but they would much rather be given a little more time, and would consequently prefer to meet the Allies on the following day.

MR. LLOYD GEORGE thought that it was very little use for the Allies to meet the Turks until the latter were quite ready. He was expecting a report from the British official, who had been deputed to visit the Turks that

morning, and he suggested that the conference should await that officer's report.

Later in the meeting, Mr. Lloyd George informed the conference that he had just received a note from the official in question, to the effect that it was out of the question for the Grand Vizier to meet the Allies to-day, and that the other Turkish delegates would much prefer to come to a meeting to-morrow.

The conference agreed—

That a meeting with the Turkish delegates should take place at St. James's Palace at 11.15 a.m. on Wednesday, the 23rd February, 1921, and that the Allied delegations should meet at the Palace for a preliminary discussion at 11 a.m. on that date.

2. The Emir Feisal and the Conference

MR. LLOYD GEORGE informed the conference that he had received a letter, dated the 21st February, 1921, from the Emir Feisal, which he would ask M. Camerlynck to read. (A copy of the letter (A.J. 256) is attached (see Appendix 1).)

After the letter had been read, Mr. Lloyd George said that his feeling in this matter was that, as the Arabs had a very direct interest in the settlement under the Sèvres Treaty, not only in Arabia, but in Syria, Palestine, Transjordania and Cilicia, he favoured the conference hearing the Arab view. The conference had heard the Greek delegation and was proposing to hear the Turkish delegation, which included the rebel Turks, and to refuse a hearing to the Arabs would be a fatal step, which would resound throughout the whole Arab world and might have the most serious consequences. In these circumstances, he would like to reply to the Emir Feisal, inviting him to appear before the conference and to state the Arab case. It must be remembered that he was the representative of the King of the Hedjaz, who was an independent sovereign recognised by the Treaty of Sèvres, and in these circumstances it would be politic to give him an opportunity of coming to St. James's Palace and informing the conference of the views of his people.

M. Briand said that the Allied delegates were present in London as representing the Great Powers, who were endeavouring to find some settlement of the dispute between the Greeks and the Turks.

MR. LLOYD GEORGE, intervening, said that this was not at all his view of the duty of the conference. The conference would have to consider many questions outside the Græco-Turkish difficulty. If the Treaty of Sèvres was to be torn up, it must be torn up altogether, and he certainly could not contemplate any settlement being effected at the sole expense of the Greeks. Great Britain could not be a party to an amiable policy of this kind. If there was to be a real settlement it must be one to which all parties contributed by making sacrifices.

M. Briand, resuming, said that the representatives of the Great Powers ¹ The Emir Feisal, son and representative of King Hussein of the Hedjaz, had arrived in England at the end of Nov. 1920; see Vol. XIII, Nos. 339, 356-8.

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had met together to try and effect a settlement of the whole difficult question of the Treaty of Sèvres, including the Græco-Turkish disputes; but, if all the different nationalities interested in the Treaty of Sèvres were to be heard, the conference would be unduly protracted. For example, Armenia and Bulgaria would certainly claim a hearing if one were accorded to the Arabs. As a Frenchman, he could only say that the suggestion that the conference should hear the Emir Feisal was an impossible one. Feisal had been instrumental in betraying the French cause in Syria, and was directly responsible for the shedding of French soldiers' blood.² It would be most difficult for the French representatives to sit in the same room with him, and he (M. Briand) took the strongest possible objection to the suggestion that Feisal should be invited to state the Arab case to the conference in person. If Feisal desired to put his views before the conference, let him submit them in writing, when they could receive careful consideration.

MR. LLOYD GEORGE enquired whether this meant that the conference was to refuse to hear the Arabs. If so, an announcement of this momentous decision would have to be made.

M. Briand said that he did not think there need be a definite refusal to hear the Arabs. Psychological considerations weighed on Governments and peoples alike, and French public opinion would not for a moment tolerate his meeting Feisal face to face in the conference after all that had happened, and particularly after the bloodshed in Syria.

MR. LLOYD GEORGE remarked that Feisal had not shed as much French blood as Mustapha Kemal.

M. Briand said that there was all the difference in the world between the two cases. Mustapha Kemal was an open enemy, who carried on warfare against the French in the duly recognised manner. Feisal had at first pretended to be the friend of France, and had then taken the first opportunity of stabbing her in the back. He himself was quite ready to meet and discuss matters with honourable enemies, but he could not contemplate meeting a traitor like Feisal, who in French eyes was much more than an ordinary enemy. He felt sure that General Gouraud would refuse to sit at the same table with Feisal. Why should not Feisal state his case in writing, in the same way that the Armenians and Bulgarians had been told to do? He could not over-emphasise the hatefulness of Feisal's personality felt by the French.

MR. LLOYD GEORGE thought that there had been an unfortunate misunderstanding in Syria, which possibly had led to something like a breach of faith on the Allies' part, but he certainly did not want to go into this aspect of the matter now. He reminded the conference that throughout the war Feisal had been the firm and steadfast ally of the British, and that but for him the great victory gained by General Allenby³ might not have been won, or, at all

³ Gen. Allenby, Commander-in-Chief, Egyptian Expeditionary Force, had defeated the Turkish army in Palestine in Sept. 1918 and entered Damascus on Oct. 1.

² For the Emir Feisal's nomination as King of Syria by the Syrian Congress at Damascus on March 8, 1920, and the subsequent events which led to his flight from Syria at the end of July 1920, see Vol. XIII, Chap. II, Nos. 219–92 passim.

events, might not have been so complete in its immediate consequences, one of which had been the French occupation of Syria. The position of Great Britain was a very difficult one. Great Britain had a very direct interest in the Treaty of Sèvres, and he very sincerely hoped that the conference was not going to rule out the hearing of the Arabs. There was a great deal of feeling in this country on the way the Arab question had been handled. If France declined to receive an Arab deputation, it was clear that the Arabs could not be received by the conference; but the reason must be given, and he would feel under an obligation to send Feisal a reply stating that his (Feisal's) personality was objectionable to France, and that he could only be heard by the conference through the medium of a written communication. This answer would then be published to the world, the Arabs would know the position, and the consequences might be of a most serious character; but clearly some answer to Feisal must be given.

M. Briand said that the attitude of France did not amount to a refusal to settle the Arab question, but was a definite rejection of the reception by the conference of Feisal himself. If Great Britain had been in the position of France, he felt quite confident that she would have refused to see Feisal even more vigorously than he had done. He again urged that Feisal should put his representations into writing, and added that, if it was necessary to send a reply to Feisal, the French objection to him personally should not be emphasised, as this would only increase the difficulties of the Allies. If the Arabs still insisted on sending a delegation, it might be possible for the conference at a later date to consider its personnel.

MR. LLOYD GEORGE said that in this matter he was most anxious to meet the views of M. Briand, whose difficulties he fully realised. British and French interests in this matter were identical, and both aimed at the re-establishment of peace and the settlement of the whole Arab question, including the Syrian and Mesopotamian problems. He had been told that Feisal was accompanied by Haddad Pasha, a very able man, and he would like to know whether M. Briand would feel the same difficulty about receiving Haddad Pasha as he had expressed in the case of Feisal. He (Mr. Lloyd George) thought it most important to hear the Arabs in person and to restore good relations with them before the conference terminated.

M. Briand said that he would have no objection to Haddad Pasha as the Arab delegate.

The conference agreed—

That an oral communication should be made to the Emir Feisal to the effect that the conference would have great difficulty in listening to him as the Arab representative, but that, if he would send Haddad Pasha to state the Arab case as the delegate of the King of the Hedjaz, the conference would accord Haddad Pasha a hearing in person.

• Gen. Haddad Pasha had been Syrian diplomatic agent in London during the Emir Feisal's rule in Syria (see n. 2 above).

3. Scope of the Conference

MR. LLOYD GEORGE said that he hoped that the conference was not going to limit itself to a discussion of the Græco-Turkish question. There were other important matters for consideration, such as the Armenian situation, the various controls imposed by the Treaty of Sèvres, and the question of the Straits, all of which the Turkish delegation might wish to raise. He did not want to have to rule out any subject from discussion, and he thought the wisest course would be to let the Turks present their whole case, as otherwise a very bad impression would be created.

The conference agreed with the views expressed by Mr. Lloyd George on this question.

4. Lithuania

MR. LLOYD GEORGE read to the conference a letter received from the acting Chargé d'Affaires of Lithuania, asking that a Lithuanian delegation might be received by the conference on the subject of the *de jure* recognition of that country (copy attached (A.J. 255); see Appendix 2). He (Mr. Lloyd George) thought it was quite out of the question to receive the delegation this week, but if there was time the conference might give the Lithuanians an hour to state their case later in the session.

M. Briand said that there was no particular case for de jure recognition of Lithuania, the frontiers of which had not yet been determined. At the same time, it was most important not to take any action in the matter which might be regarded as discourteous towards the League of Nations, which was interesting itself in the Vilna question.⁵

The conference agreed—

That a reply should be sent to the Lithuanian Acting Chargé d'Affaires in the form set out in Appendix 3.

5. British and French Prisoners in the Hands of the Kemalists

Lord Curzon informed the conference that there were a number of British officers and men in the hands of the Angora Government, and he understood that the Kemalists also held some French prisoners. The occasion of meeting the Kemalist delegates might be taken for attempting to obtain the release of these prisoners, and it might be possible to effect a kind of exchange. At Malta the British Government had over 100 Turkish prisoners, about seventy of whom were charged with offences against the armistice, cruelty to prisoners of war and brutality to Christians. The balance, about thirty-six, might be used for exchange purposes. There were about twenty-six British prisoners in all, including Colonel Rawlinson, a brother of the Commander-in-chief in India. It would be easier to secure the release of the prisoners if we could offer an exchange.

M. Berthelot mentioned that there were about 600 Frenchmen held

⁵ Cf. No. 6. ⁶ Cf. Vol. XIII, No. 122 and enclosure, and No. 177.

prisoners by the Kemalists, and that the French had taken several thousand Turkish prisoners in the recent operations.

The conference agreed—

That the question of exchange of prisoners should be raised with the Turkish delegation, on the lines suggested by Lord Curzon.

6. Publication of Mandates and Conclusions of Conferences

Mr. Lloyd George informed the conference that the British Government was being pressed in Parliament on certain questions which possibly were also giving parliamentary trouble to his colleagues at the conference. These questions were:—

- (i) The demand for the publication of mandates,7
- which, he reminded the conference, had still to go before the League of Nations for final approval. The mandates had already been published in an American newspaper, and the British Government would have no objection to publishing them in the form of a White Paper, but felt unable to do so until they had obtained the consent of their Allies to this course.
 - (ii) The demand for the publication of a summary of the conclusions of the various inter-Allied conferences held since the Treaty of Versailles.8

He (Mr. Lloyd George) had undertaken to bring this question up at the conference, and, if publication was decided upon, it would be necessary for the delegates to agree exactly on what they were going to publish and how much. So far as he was concerned, he thought there would be little harm in publication. All the interesting material had already appeared in the newspapers.

COUNT SFORZA said that he would like the publication of the mandates delayed for a few days, otherwise he might be open to parliamentary attacks.

M. BRIAND and BARON HAYASHI said that they had no objection to publication in either case.

LORD CURZON enquired whether he was to understand that at the same time [?as] the British Government published the Palestinian, the Mesopotamian and colonial mandates the French would publish the Syrian mandate; if not, the British Government would certainly be asked why the decision of the conference had applied only to its own mandates.

M. Berthelot said that the French Government would arrange for publication in the press. They did not propose to issue a White Paper on the subject.

MR. Bonar Law said that it would be difficult to withhold publication much longer in Great Britain. He was quite ready to meet Count Sforza, however, by promising publication but delaying actual publication until next week.

- ⁷ See e.g. 135 H.C. Deb. 5s., cols. 431-2 (Nov. 24, 1920).
- 8 See 136 H.C. Deb. 5s., cols. 9-10, 1253-4, and 138, col. 267 (Feb. 17, 1921).
- 9 Lord Privy Seal and Leader of the House of Commons: his name was omitted, presumably in error, from the list of those present at the meeting.

The conference agreed—

- (i) That the mandates should be published, as proposed, next week.¹⁰
- (ii) That arrangements should be made for the early publication of a summary of the conclusions reached at the various inter-Allied conferences held since the signing of the Treaty of Versailles.¹¹

(The proceedings then terminated.)

2, Whitehall Gardens, S.W. 1, February 22, 1921.

¹⁰ The texts of the draft mandates for Mesopotamia and Palestine as submitted for approval of the League of Nations were published on March 4 in Cmd. 1176 of 1921.

The resulting British publication (on June 22) was Cmd. 1325: Protocols and Correspondence between the Supreme Council and the Conference of Ambassadors and the German Government and the German Peace Delegation between January 10, 1920, and July 17, 1920.

APPENDIX I TO No. 18

Letter from Emir Feisal Ibn-Hussein to Mr. Lloyd George

Dear Mr. Lloyd George,

12A BERKELEY SQUARE, February 21, 1921

I have written to the Foreign Office stating that my august father desires me to attend the forthcoming conference as his representative for reasons that I have given. I now write to you personally as the president of the conference to inform you of my father's wishes, which are based on the following considerations:—

- 1. The conference is to consider measures to secure peace in the Near and Middle East. His Majesty, as one of the Allies in the war against Turkey, is of opinion that he has an equal right with the other Allies to be represented, and that to exclude the Arabs would be unfair.
- 2. The Hedjaz is still at war with Turkey. That is a state of affairs which should not continue.
- 3. His Majesty King Hussein has certain points to bring up for discussion which have been neglected in the Treaty of Sèvres, especially those dealing with the responsibilities connected with religious questions that have devolved upon him.
- 4. His Majesty King Hussein refrained from signing the Treaty of Sèvres because he foresaw that on the one hand it would not meet the aspirations of the Arabs and on the other would not secure peace in the Middle East. The object of the conference being what it is, my father is insistent on the necessity of his Government being represented. The Allied Powers are aware of the present state of dissatisfaction among the Arabs; if they are represented and know that their case is being heard, their doubts will be set at rest pending the final settlement. This will facilitate the reaching of a good understanding between the various nations interested in the Middle East, to whom the establishment of peace is indubitably a principal consideration.
- 5. In order to give you an idea of the prevailing feeling in the Arab provinces, I enclose a copy of a telegram received on the 17th instant.
- 6. I am aware, as the Foreign Office has said, that this matter does not solely concern Great Britain, but I hope that the other Allies will regard the Hedjaz with the same benevolence as His Britannic Majesty's Government and allow me to attend the conference, as I attended the Peace Conference in Paris, so that independent action on the part of the Hedjaz may be avoided.

I remain, &c.
IBN-UL-HUSSEIN



ENCLOSURE IN APPENDIX I

General Haddad Pasha, London.

Still expecting your answer. Invitation of Mustapha Kemal to Eastern Conference to meet the 21st February in London and neglect of Arabs has shown patriots that no confidence is placed in them. People's conviction of this has given impetus to Maan movement,¹² and number of those joining this movement is steadily increasing.

Adhesion to movement of a woman's mission has aroused feelings of young men, and certain young men who had taken refuge in Egypt and elsewhere have begun to join movement.

In my opinion, if things go on like this and Arabs are prevented from defending their just rights at Eastern Conference and from attaining their just demands, important incidents may well occur in Syria which will give rise to the ruin of the country.

People are everywhere asking whether Arabs will have a delegate at this conference or not. Decisions of this conference will be barometer for Maan movement.

¹² The Emir Abdullah, proclaimed King of Iraq by the Arab Congress at Damascus on March 8, 1920, had arrived at Ma'an in Feb. 1921 with an Arab force and announced his intention of raising a rebellion against the French in Syria. For documents of Dec. 1920 concerning the possibility of such action on his part, see Vol. XIII, Nos. 346–7, 350 and 352.

APPENDIX 2 TO No. 18

Letter from Lithuanian Delegation to Mr. Lloyd George

(No. 1.1854 [?/3B].)

Sir,

10 PALACE GATE, KENSINGTON, LONDON, February 18, 1921

At the conference of Prime Ministers in Paris, the Great Powers decided to recognise the independence *de jure* of Esthonia, Latvia and Georgia; ¹³ for some reason or other, however, this privilege has not been accorded to Lithuania.

As the result of this omission, Lithuania is placed in a very difficult position, and I would beg that the Lithuanian delegation might therefore be afforded an opportunity of stating the matter in person before the conference of Prime Ministers in London.

I am, &c. F. NAROUSHEVITCH Acting Chargé d'Affaires

To the Rt. Hon. D. Lloyd George, M.P., 10, Downing Street.

13 See Nos. 6 and 8, minute 2.

Appendix 3 to No. 18

Sir, 2 WHITEHALL GARDENS, LONDON, February 22, 1921 I am desired by Mr. Lloyd George to acknowledge the receipt of your letter (No. 1.1854/3B) of the 18th February, and to say that it has been considered by the Allied conference now sitting.

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The conference has decided that it cannot accord the representatives of Lithuania a hearing at the moment, as its time will be fully occupied this week and next with the business already upon its agenda. It will, however, do its best to receive the representatives of Lithuania before the conference adjourns.

I am, &c. M. P. A. HANKEY British Secretary

M. Naroushevitch, Acting Chargé d'Affaires for Lithuania, 10, Palace Gate, Kensington.

No. 19

I.C.P. 161] British Secretary's Notes of an Allied Conference held in St. James's Palace, London, S.W., on Wednesday, February 23, 1921, at 11 a.m.

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister (in the Chair); The Rt. Hon. the Earl Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; POLITICAL EXPERTS, Mr. Kerr, Mr. Vansittart; SECRETARIES, Sir M. Hankey, G.C.B., Mr. Howorth, Mr. Sylvester.

France: M. Briand, M. Berthelot, M. Loucheur, Count de Saint-Aulaire; POLITICAL EXPERTS, M. Kammerer, M. Brugère; SECRETARIES, M. Massigli, M. Chastenet.

Italy: Count Sforza, Signor de Martino; POLITICAL EXPERT, Signor Galli; SECRETARY, Signor Guariglia.

Japan: Baron Hayashi, Mr. Nagai; secretaries, Mr. Saito, Mr. Yoshizawu [Yoshizawa].

INTERPRETER: M. Camerlynck.

TURKISH DELEGATES:

Constantinople: His Highness Ahmed Tewfik Pasha, Grand Vizier; His Excellency Mustapha Reshid Pasha, Ottoman Government delegate at London; His Excellency Osman Nizami Pasha, Ottoman Government delegate at Rome; secretary, His Excellency Ali Chevki Bey, Turkish Minister at Stockholm.

Angora: His Excellency Bekir Sami Bey, Deputy for Amassia, Minister for Foreign Affairs (President of Delegation); Djami Bey, Deputy for Aidin, delegate; Khousrew Bey, Deputy for Trebizond, delegate; Yamous Nadi Bey, Deputy for Smyrna, delegate; Zekaia Bey, Deputy for Adana; SECRETARIES, Dr. Nihad Reshad Bey, Munir Bey.

(The delegates from the Turkish Governments at Constantinople and Angora respectively entered the Conference at 11.15 a.m.)

1. The Sevres Treaty: Case presented by the Turkish Delegation

MR. LLOYD GEORGE said that he desired, on behalf of the conference, to express great regret at the illness of his Highness Tewfik Pasha, and to say

how delighted he was to see that his Highness was sufficiently recovered to be able to be present at the meeting to-day.

TEWFIK PASHA thanked Mr. Lloyd George for the interest which had been taken in his health, and said that he wished to say how glad he was to find himself in the presence of the distinguished persons assembled at the conference.

MR. LLOYD GEORGE reminded the conference that on the 10th August last the Treaty of Sèvres had been signed between the Allied Powers and Turkey. This treaty had been designed with a view to ending the long and devastating conflict which had inflicted on the participants greater losses than possibly any similar war known to history. Since the signing of the treaty, the real peace which that treaty had been intended to evoke had not in fact been restored, and the world was constantly reminded of the massing of armies, of marching and counter-marching, of sanguinary conflicts, and of preparations for even worse events. The whole world was most anxious for peace, and needed peace, and in this respect Turkey was no exception. Turkey had suffered losses in the war as great, in proportion to her population and resources, as possibly any other Power, and it was essential that some action should be taken with a view to her speedy reconstruction and restoration from the ravages of war. The Great Powers, appreciating the necessity of action, had decided to invite the representatives of the Turkish Empire to London in order to assist in the beneficent task of terminating conflicts and restoring peace in Asia Minor, and the conference would now be glad to hear from the Turkish delegation what they had to say on the subject.

TEWFIK PASHA informed the conference that a document in French would be read out, which document summarised the views of the Turkish Government at Constantinople.

(For the English text of this document, see Appendix 1.)

PRESIDENT BEKIR SAMI said that the Grand National Assembly of Turkey, by appointing delegates to meet the representatives of the Great Powers at this important conference, had shown its sincere desire to secure the restoration of a lasting and just peace in the East. The Turkish nation, after carrying on the war in circumstances of great difficulty, had, towards the close, entertained the greatest confidence in the promises made by the Great Powers, on the faith of which promises Turkey had ultimately decided to lay down her arms. While he did not wish to go into this particular aspect of the question, he thought it right to say that the consequences to Turkey of her decision to lay down her arms had not been of the kind which she had been led to suppose they would be. The Turkish delegates had come to the conference to ask that their case should be dealt with fairly and justly, and he expressed the hope that the conference would provide the means by which it would be possible for Turkey to continue and to develop her national and economic life. The claims which it was his duty to make could be summarised in a few words: Turkey must insist on some measures being taken which would secure her continued existence as a separate and independent nation, and would also enable her to maintain her national honour. With the consent of the conference he would now read a statement which contained the particulars of the programme of the Angora National Assembly.

(For the English text of this statement, see Appendix 2.)

Mr. Lloyd George said that, as a general statement of principle, the documents which had just been read by the delegates of the Constantinople and Angora Governments respectively were clear, and he did not propose to take any exception to them; but he must point out that the contents of those documents did not in the least assist the conference in the consideration of the very practical difficulties which it was its duty to discuss and endeavour to find some solution for. The conference would like to know how these general principles were related to the practical application of the Treaty of Sèvres; how far, in other words, did the Treaty of Sèvres fall short of the aspirations on which these general principles were based, and in what directions was it suggested that the treaty infringed these general principals [sic] or hampered effect being given to them? Take, for example, questions like the complete restoration of Turkey's sovereign rights; the protection of minorities; the arrangements for the control of the Straits; in what respect did the Turkish delegates consider that the treaty clashed with the general principles just enunciated? Until the conference had details it was clear that no substantial progress was possible.

PRESIDENT BEKIR SAMI said that once the conference had definitely recognised the justice of the general principles he had mentioned, he would be quite prepared to enter into a discussion of the ways and means by which peace might be restored and Turkey enabled to return to her normal life.

(The heads of the Allied delegations briefly conferred among themselves.)

Mr. Lloyd George said that he had had a short consultation with his colleagues on the two statements which had been made, but, short as that consultation had been, all the Allies were in the most complete agreement that a mere statement of general principles did not at all advance matters or help the conference in its consideration of the problems confronting it. As he had already said, general principles might be quite unexceptionable in themselves, but at the same time might be useless for the purpose of solving practical difficulties. The Allies must insist on knowing how far, in the view of the Turkish delegates, the Treaty of Sèvres fell short of the general principles which had been stated, and in order to answer this question it was absolutely necessary to have details. One could not incorporate general principles in a treaty. He therefore felt bound to press the Turkish delegates to say precisely in what respects they thought the Treaty of Sèvres unjust and an infringement of those general principles contained in the two documents which had been read to the conference.

PRESIDENT BEKIR SAMI said that he had listened with great interest to the remarks made by Mr. Lloyd George, and he wished to say at once that, in the view of the Angora Government, the carrying into effect of the Treaty of Sèvres meant the doom of the economic and political life of the Turkish

nation. Turkey could not continue to exist as a separate nationality so long as the treaty was maintained. On these grounds the Angora delegates had thought fit to submit to the conference certain general principles, the adoption of which would secure to Turkey her national and economic life. The acceptance by the conference of those principles would be an indication to the Turkish delegates that the parties concerned had entered on a path which would lead to the restoration of peace, and as soon as that path had been entered upon he was willing to discuss details and ways and means.

MR. LLOYD GEORGE remarked that it was quite useless for the conference to endeavour to conduct business on the lines indicated by President Bekir Sami. It might be desirable for the Allied delegates to have a separate consultation.

M. Briand said that there was a question which he would very much like to ask the Turkish delegates, as on its answer would depend the probability of a practical result being reached. Within the four corners of the general principles which had been enunciated and the Treaty of Sèvres, what were the particular amendments or modifications of the treaty desired by the Turkish delegates? In order that the conference might usefully discuss the problem, it was necessary for it to have some concrete proposals of a definite character drawn from the treaty.

COUNT SFORZA added that the clearer the Turkish amendments and modifications were, even if, as a result of clearness, some dissent might be provoked, the greater would be the likelihood of the conference being able to have a profitable discussion.

OSMAN NIZAMI PASHA remarked that there were certain clauses in the treaty which might be discussed on the basis of the general principles which had been submitted to the conference. It would be possible for the Turkish delegates to draw up a programme of their proposals and claims if the conference thought that this procedure would be helpful. It would, of course, be necessary, however, for the Turkish delegates to have an opportunity of discussing their proposals *inter se* before submitting them to the conference.

PRESIDENT BEKIR SAMI indicated that, without going into particulars, the kind of questions which would appear on the list would be those relating to the future of Thrace and Smyrna, the arrangements regarding the Sea of Marmora and the Straits, and the economic and financial restrictions imposed on Turkey by the treaty.

M. Briand enquired whether it would be possible to have a further explanation of some of these points now.

PRESIDENT BEKIR SAMI said that the Turkish delegates would like time to consult together, and suggested that the conference should be postponed until the day after to-morrow, Friday, the 25th February.

MR. LLOYD GEORGE pointed out that the Germans were to arrive in London on Monday next, and that any delay would be most difficult to justify or arrange. He declared that the questions which had been referred to were questions which both the Turkish delegations must have considered carefully before they came to London, and they must know substantially what

proposals they were in a position to submit to the conference. He thought that there ought to be no difficulty in arranging for a resumption on the following morning.

PRESIDENT BERIR SAMI said that the Turkish delegates would do their best to be ready by II o'clock to-morrow morning, but he must add that the Angora delegation was a separate entity, representing the Turkish nation, and repudiated the claim or right of the delegates from Constantinople to enter into any arrangements or make any engagements in the name of the Turkish nation.

MR. LLOYD GEORGE said that the conference would be glad to listen to both delegations, and pointed out that if the delegations could agree among themselves it would save time, but that in any case a hearing would be given to both.

PRESIDENT BEKIR SAMI said that he quite realised the position. It would be the duty of the Angora delegation to state their views, but of course they had no intention of attempting to impose them, and the ultimate decision would be one for the conference to take.

The conference agreed—

To adjourn the meeting until 11 a.m. on Thursday, the 24th February, 1921, when the Turkish delegates would enter into a detailed statement of their case.

(The proceedings then terminated.)

2, Whitehall Gardens, February 23, 1921.

APPENDIX I TO No. 19

Statement handed to the Inter-Allied Conference by Tewfik Pasha, on behalf of the Constantinople Government, at the Meeting on Wednesday, February 23, 1921

In order to reach as soon as possible a lasting peace, we believe that it will be necessary to establish conditions assuring the existence of Turkey in Turkish territories, that is to say:—

- 1. The integrity and independence of countries inhabited by Turks.
- 2. The clear and entire sovereignty of Turkey.
- 3. The protection of the rights and [? of] minorities.
- 4. The reaching of an international agreement on the subject of the Straits.

For the rest, Gentlemen, you have summoned representatives chosen by the National Assembly of Angora, and fully empowered to speak on behalf of that Assembly. I now give place to them in order that they may explain the propositions which they have to submit to you.

APPENDIX 2 TO No. 19

Declaration submitted to the Inter-Allied Conference by the Angora Delegation at the Meeting held on the forenoon, February 23, 1921

The Delegation of the Grand National Assembly of Turkey has the honour to submit for the favourable consideration of the conference the following observations:—

The principles of right and justice which were solemnly proclaimed towards the end of the general war by the Allied Great Powers, allowed the Turkish people to look forward to the conclusion of a just and durable peace which would in no way compromise their independence and liberties.

At the time when many peoples were being formed into independent States in accordance with the principles of nationality and self-determination, a situation exceedingly painful and entirely irreconcilable with the conceptions of sovereignty was created for the Turkish people who had from time immemorial enjoyed an existence of political independence.

The severe measures taken by the Allied Powers and the bloody occupation which was witnessed in the region of Smyrna in defiance of the verdict of the conscience of humanity which demanded the respect of the rights of each people, as well as the withdrawal from the Turkish Government of all authority in its capital, have resulted in the meeting together in Anatolia of a great National Assembly and in the formation of a National Government, which, whilst preserving the secular and sacred rights of the Turkish State has been inspired by the principles of the sovereignty of the people.

It is thus that under the pressure of events which threatened their very existence, the Turkish people have found themselves compelled to have recourse to all measures necessary to ensure their legitimate defence. The present unrest in the Near East is the inevitable consequence of this state of affairs.

Desirous of seeing at the earliest possible date the re-establishment in their homes of a normal and peaceful life, to which the Turks have never ceased to aspire for a long time past, the Grand National Assembly of Turkey, the only legal representative of the Turkish people, has considered it a duty to take advantage of the first occasion which has been offered to it to place an end to this state of war.

Following this sequence of ideas it has welcomed with satisfaction the invitation which was addressed to it to participate in the Conference of London; it has sent to it delegates, chosen among the representatives of the people, to explain the just claims of the nation.

It considers that it has given evidence of its best wish and sincere desire to collaborate in the pacification in the Near East.

The minimum rights which the Turkish nation considers herself bound legitimately to claim from the conference are the following:—

- 1. The territories of the Ottoman Empire, excluding countries inhabited by an Arab majority, which, in accordance with the declarations of the Allied Powers will be called upon to exercise their right to self-government, form an indivisible whole. Turkey must enjoy in these territories full sovereign rights, primary conditions for the existence and the development of every independent nation.
- 2. The Grand National Assembly is prepared to recognise in favour of the minorities established in Turkey, all those rights which have been contemplated by the conventions concluded between the Allied Powers, their adversaries and certain of their associates, in favour of minorities in other countries. It considers the effective grant of similar rights by the Powers concerned, in favour of Mahommedans in countries detached from the Ottoman Empire, to be an inseparable corollary of its recognition of the above.
- 3. Turkey is prepared to agree to any decision which may be taken in agreement with her by the Powers concerned, with a view to ensure the freedom of

navigation in the Straits by all flags on a footing of absolute equality between the States without in any way endangering the security of Constantinople, the seat of the Khalifat and the capital of Turkey, whilst at the same time respecting the full sovereignty of Turkey.

Taking into consideration the high sentiments of justice which influenced the convocation of this conference the delegation of the Grand National Assembly of Turkey dares to hope that the Allied Powers will be willing to give their careful consideration to the preceding remarks. Once these general principles have been established, the delegation of the Grand National Assembly of Turkey will hasten to collaborate in the examination and the solution of the subsidiary questions and in the conclusion of peace.

No. 20

I.C.P. 162] British Secretary's Notes of an Allied Conference held in St. James's Palace, London, S.W., on Thursday, February 24, 1921, at 11 a.m.

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister (in the Chair); The Rt. Hon. the Earl Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; POLITICAL EXPERTS, Mr. Kerr, Mr. Vansittart; SECRETARIES, Sir M. Hankey, G.C.B., Mr. Howorth, Major Caccia, Mr. Sylvester.

France: M. Briand, M. Berthelot, M. Loucheur, Count de Saint-Aulaire; POLITICAL EXPERTS, M. Kammerer, M. Brugère; SECRETARIES, M. Massigli, M. Chastenet.

Italy: Count Sforza, Signor de Martino; POLITICAL EXPERT, Signor Galli; SECRETARIES, Signor Guariglia, Signor Taliani.

Japan: Baron Hayashi, Mr. Nagai; secretaries, Mr. Saito, Mr. Matsumiya.

INTERPRETER: M. Camerlynck.

TURKISH DELEGATES:

Constantinople: His Excellency Mustapha Reshid Pasha, Ottoman Government delegate at London; His Excellency Osman Nizami Pasha, Ottoman Government delegate at Rome; secretary, His Excellency Ali Chevki Bey, Turkish Minister at Stockholm.

Angora: His Excellency Bekir Sami Bey, Deputy for Amassia, Minister for Foreign Affairs (President of Delegation); Djami Bey, Deputy for Aidin, delegate; Khousrew Bey, Deputy for Trebizond, delegate; Yamous Nadi Bey, Deputy for Smyrna, delegate; Zekaia Bey, Deputy for Adana; SECRETARIES, Dr. Nihad Reshad Bey, Munir Bey.

1. The Treaty of Sevres: Case presented by the Turkish Delegations

The Delegates from the Turkish Governments at Constantinople and Angora having been introduced

MR. LLOYD GEORGE expressed his regret at the absence of the Grand Vizier, owing to indisposition. He had reason to believe that the delegations were

now ready to put their case before the conference, which would listen with interest to what they had to say.

Mustapha Reshid Pasha, having apologised for the absence of the Grand Vizier, whose regrets he had been asked to express, said that, in accordance with the decisions taken by the conference on the previous day, the two Turkish delegations had prepared in consultation a statement setting forth the 'desiderata' of Turkey. With the permission of the conference, the representative of the Angora Government would read this statement, and he himself would merely say that the two delegations were in complete agreement in regard to fundamental principles. He would therefore beg the president of the conference to call upon his Excellency Bekir Sami to read the statement in question. The representatives of the Constantinople Government, would, however, reserve to themselves the right subsequently to take part in any discussion which might arise.

(President Bekir Sami then read the statement, for which see Appendix.)

2. Frontiers claimed by Turkey in Asia Minor

After the heads of the Allied delegations had conferred briefly among themselves, Mr. Lloyd George requested President Bekir Sami to set forth his ideas in regard to the eastern frontiers of Turkey in Asia.

PRESIDENT BEKIR SAMI replied that the Turks claimed the existing frontier between Turkey and Persia, Armenia and Caucasia. No common frontier existed between Turkey and Azerbaijan.

LORD CURZON asked whether he was correct in thinking that the Turks claimed the old frontier between Turkey and Persia as it existed before the war, modified by the recent treaty between Turkey and Armenia.¹

PRESIDENT BEKIR SAMI replied that in regard to the frontier between Turkey and Persia, the Turks claimed the pre-war frontier. In regard to the Armenian frontier, however, a treaty had been concluded two months previously between Turkey and Armenia, based on principles of nationality, and that frontier would be maintained.

M. Briand said that amongst the claims set forth by the Turkish delegations had been included the evacuation of Smyrna by the Greeks. He wished to enquire on what grounds those claims were based. In particular, he desired to hear what the delegations had to say in regard to the population of the town and vilayet of Smyrna.

PRESIDENT BEKIR SAMI replied that as to Smyrna the Turkish claims were very clear; they were based on principles of nationality, that is to say, proportions of population, on economic interests, which were wholly in the hands of the Turks, and the Turkish delegations would welcome any enquiries which the conference would be pleased to desire in regard to these matters. He would merely add that 95 per cent. of the landowners of the town and vilayet of Smyrna were Turks. In the town of Smyrna, since the Greek occupation, over 300,000 Turks had been obliged to abandon their homes and to flee; but before these events the population had been absolutely

i.e. the Treaty of Alexandropol of Dec. 2, 1920; see Vol. XII, No. 643, n. 2.

Mahommedan. Furthermore, the Greeks inhabiting these territories were not Hellenic Greeks, but Ottoman Greeks.²

MR. LLOYD GEORGE enquired whether President Bekir Sami put forward similar claims in regard to the population of Thrace.

PRESIDENT BEKIR SAMI replied that in Eastern Thrace the population would be found to be overwhelmingly of Turkish race and Mahommedan religion. He would remind the conference that the second capital of the Ottoman Empire was situated in Eastern Thrace, and there were to be found the tombs of the Sultans. It was, in fact, essentially a Turkish town.

LORD CURZON enquired whether the Turkish delegations were prepared to put forward similar claims in regard to the population along the Sea of Marmora and the Straits.

PRESIDENT BEKIR SAMI replied that the delegations had already put forward their point of view in this respect. The question put by Lord Curzon merely formed a corollary of the Thrace question. Furthermore, the security of Constantinople depended on the possession of the territories along the Sea of Marmora, and the Straits, remaining attached to Turkey.

LORD CURZON asked whether he was correct in thinking that the claims of Turkey to the Sea of Marmora coast and the Straits were not based on nationality, but on military grounds for the defence of Constantinople.

PRESIDENT BEKIR SAMI pointed out that military considerations would also necessarily apply to Smyrna and Thrace. Furthermore, the lands along the coast of the Sea of Marmora depended on, or formed part of, Thrace and Smyrna, where a vast majority of Turks existed, and could not be considered separately.

Mr. Lloyd George then said that the meeting would be adjourned for a few minutes, in order that the Allied representatives might consult together.

(The Meeting adjourned at noon and reassembled at 12.30 p.m.)

MR. LLOYD GEORGE said that the conference would be glad to know whether the Turkish delegates were in a position forthwith to communicate the figures and statistics upon which were based the statements that a majority of Turks existed in the territories of Smyrna and Thrace.

PRESIDENT BEKIR SAMI replied that the Turkish delegations were in possession of documents giving the information asked for. The statements were in fact ready and could, if so desired, be communicated forthwith to the conference. He would merely add that the figures which had been prepared were above suspicion since they had been collected in 1896 by a recognised French authority, M. Puymet for purposes connected with the collection of the Ottoman Public Debt, and published as a Yellow Book.³ With the permission of the conference he would ask his technical adviser to communicate the statistics in question.

- 2 Note in original: 'French text of the passage reads: "Among these Greeks are many who are not true Ottoman subjects, but have established themselves in the country recently."
- ³ Not traced. The reference is probably to M. Cuinet, a dragoman in the French Embassy at Constantinople and author of *La Turquie d'Asie* (4 vols. Paris, 1890–5).

DR. NIHAD RESHAD BEY said that he would deal in the first place with the statistics relating to the territories of Smyrna, and subsequently with Thrace.

It was fully recognised that the character of the population of Aidin had already formed the subject of considerable discussion.4 It was fully realised that the statistics prepared by the Turkish Government as well as the Greek Government might be taken as open to suspicion. One might suppose that those figures had been arranged to advance a cause. But fortunately, in the case of the territories now under consideration, it was found possible to supply statistics which had been prepared by foreign and unbiased experts before, during and since the war. As stated by President Bekir Sami, between 1895 and 1897 a French official publication, a Yellow Book, had been issued giving definite statistics which would be found to be striking. It would be found that for the territory of Aidin the total Turkish population had been returned as equal to 1,296,595 as compared with 230,711 Greeks. That is to say, that 79 per cent. of the population was Turkish. The same authority gave statistics in regard to the town of Smyrna, which was said to contain 100,356 Turks and 73,000 Greeks. That is to say, 44.7 per cent. Greeks, and 55.3 per cent. Turks.

After the termination of the great war an inter-Allied commission had been sent at the request of the Ottoman Government to enquire into atrocities which it was stated had been committed in this area by the Greek troops. The report issued by this commission contained the statement that in the territory of Aidin, excluding the towns of Smyrna and Aivali, the Turks predominated.⁵

In regard to the town of Smyrna, however, it should be realised that the population contained large numbers of foreigners, chiefly business men who had settled there to trade. Consequently, the Turks were slightly less as compared with the total population of the town. But, should comparison be made between the inhabitants of Turkish and Greek races, it would be found that the Turks were undoubtedly in excess.

During and since the war official statements had been made by many statesmen, including the president of the conference, to the effect that the Allies did not fight as one of the war aims either for the confiscation of Constantinople from the Turks or the expropriation of any territories from the Ottoman Empire, the rich and renowned lands of Thrace and Smyrna in which Turks predominated. On those grounds alone, therefore, the claims of Turkey to Smyrna should be recognised. Furthermore, Smyrna was tied by three lines of railway with the centre of Asia Minor; it was thus joined to the great Anatolian Railway, and it was the only outlet to the coast for all the trade from the interior territories. Consequently, the town of Smyrna was of vital necessity for the economic life of Turkey in Asia as constituting the only outlet for the produce of Asia Minor. The presence of foreign troops, or the attribution of Smyrna to a foreign Power would indubitably

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⁴ See e.g. Vol. VII, No. 8, minute 3, No. 11, Appendix 2, and No. 26, n. 5.

⁵ An English translation of this Report of the Inter-Allied Commission of Inquiry on the Greek Occupation of Smyrna and Adjacent Territories, dated Oct. 14, 1919, is printed in *F.R.U.S.*, *The Paris Peace Conference*, vol. ix, pp. 44-73.

constitute a constant source of friction and disturbance, and would be a permanent menace to the world peace, of such vital importance is the possession of Smyrna for the Turks.

From a social point of view he would invite attention to the fact that the Greeks invariably settled along the coasts of the Ottoman Empire because they were navigators and traders, and merely resided there to carry on their business vocation. On the other hand, the Turks were cultivators and attached to the ground. To adopt a simile, he would say that the Greeks constituted the nails of a hand, situated at the extremities of the fingers. The prosperity of the whole country depended on the Turkish cultivators who sent to the coast towns the wherewithal to live. He need hardly point out that in the history of the world, traders had never succeeded in evicting the farmers from the land. For this reason it was claimed that Smyrna and the vilayet should remain Turkish.

Lastly, as to the economic importance of Smyrna, it would be found to be of the utmost importance, not only to Turkey alone, but to the whole of the Powers having commercial relations with Turkey, that this territory should remain part of the Ottoman Empire. The allocation of Smyrna to a foreign Power would bring to Anatolia economic ruin, and the whole world would suffer in consequence.

Next in regard to Thrace, the principle of nationality strongly pleaded in favour of the restoration of Thrace to Turkey. Unfortunately in this case the statistics available came wholly from Turkish sources; no foreign statistics existed. Taking the Turkish statistics, it would be found that the total population of Thrace could be grouped together as follows:—

360,417 Turks, 224,680 Greeks, 19,000 Armenians, 26,000 Bulgarians,

that is to say, the Turkish population predominated. If a comparison were made kaza by kaza, it would be found that the majority of villages were Turkish, and, moreover, that the majority of the population in each village was, as a rule, Turkish. In fact, in some of the coastal areas, especially along the sea of Marmora, no Greeks whatever existed. To take some figures at random, it would be found that in one kaza there were 60,373 Turks to 8,568 Greeks; in another 11,884 Turks and no Greeks; in a third 27,773 Turks and 9,000 Greeks; and so forth.

In a word it might correctly be stated that in certain coastal areas only along the Sea of Marmora, the Greek and Turkish populations were fairly equal; but taking the whole of Thrace, including the coastal territory, the Turks were undoubtedly in excess, and obviously the two areas could not be separated. It would be admitted without question that the inhabitants of the coastal areas could not live if separated from the hinterland. The Greeks settled along the coasts acted as middlemen between the natural producers in the interior and the outside world.

It was imperative, therefore, that the geographical situation should be fully considered and it would then be admitted that Thrace constituted an indivisible whole, and since the population was predominantly Turkish in that geographical entity it would become impossible for the life of the country to continue, should the two be separated. And, just as the coastal area was necessary for the hinterland, so was Thrace essential to the life of Constantinople. The whole must therefore come under the sovereignty of Turkey. He would be prepared to give further statistics, and with the permission of the conference he would hand in the same that afternoon.

To sum up, he would say that the claims of Turkey to Thrace were based, firstly, on principles of nationality, since the Turkish population was in excess; secondly, on economic considerations, since the coastal areas and the interior could not exist independently. The Turkish delegation felt so sure of the correctness of their contentions that they were prepared, should any doubt arise as to the accuracy of their statements and statistics, to welcome the appointment of a commission to investigate the same on the spot.

MR. LLOYD GEORGE enquired whether his Excellency Mustapha Reshid Pasha would be able to supply the conference with any definite figures which could be studied at leisure.

HIS EXCELLENCY RESHID PASHA promised that a statement would be handed in that afternoon.6

MR. LLOYD GEORGE noted that the Turkish delegation would that afternoon supply the conference with the statistics of population on which were based their claims to a majority of Turks in Syria [? Smyrna] and Thrace, and informed the Turkish delegations that the conference would forthwith proceed to see the Greek representative and communicate to him the statements which had been made that morning.⁷ After hearing the statements of the Greek representative, the Turkish delegations would then again be invited to attend.

- ⁶ This statement has not been traced in Foreign Office archives.
- ⁷ A French text of the British Secretary's notes of this meeting with M. Kalogeropoulos is printed in Frangulis, vol. ii, pp. 196–7. The English text does not appear to have been preserved.

Appendix to No. 20

Statement submitted by Turkish Delegations

Territorial Claims

In conformity with the desire expressed by the Supreme Council, and with the desire of securing a just and permanent peace, the Ottoman delegation has the honour herewith to present the following precise indications which have been demanded.

The delegation proposes merely to consider at present the central principles which are of vital importance to Turkey, while reserving to itself the right of discussing the detailed application of those principles before special commissions which might well be entrusted with the task of detailed examination once the fundamental principles have been admitted by the Supreme Council.



- 1. Turkey demands as her frontier in Europe the line fixed by the Treaty of Constantinople of the 16th/29th September, 1913, between Turkey and Bulgaria,8 that is to say, the evacuation of all Eastern Thrace and its restitution to Turkey.
- 2. As regards the southern frontier of Turkey in Asia Minor, this frontier shall be determined by the line which separates Turkey from the countries inhabited by an Arab majority. This line shall be delimitated by common agreement between Turkey and the interested parties. Cilicia and the districts inhabited by the Turks north of this line shall be evacuated.
- 3. The eastern frontier of Turkey in Asia shall follow the Turco-Persian frontier line, and subsequently the line fixed by the treaty come to between Turkey and Armenia,9 on the basis of the principles of nationality.

Turkey has the intention of maintaining her full and entire sovereignty over the territories thus delimitated without any reservation or restrictions.

- 4. Smyrna and all the territories in Asia Minor occupied by the Greeks shall be evacuated and maintained under the full and complete sovereignty of Turkey.
- 5. The application of the principle of freedom of navigation of the Straits for flags of all nations on a footing of equality, in such a way as to ensure the inviolability of the waters of the Straits and of the Sea of Marmora without thereby affecting the security of Constantinople and while at the same time respecting the full sovereignty of Turkey.

Turkey also accepts the demilitarisation of the Straits and the institution of an international commission of supervision on which the Ottoman Government should be represented with a deliberative vote.

- 6. The protection of racial, religious and linguistic minorities shall be assured according to the same dispositions as those incorporated in the treaties of Saint-Germain, Neuilly and Trianon.¹⁰
- 7. The recognition of Ottoman sovereignty in judicial matters and the constitution of a commission composed of foreign and Turkish jurists for the purpose of drawing up a project of judicial reform on the basis of modern principles.
- 8. The determination of Turkey's military and naval forces within the limits compatible with the necessity of assuring internal order in Turkey and the security of her coasts and frontiers. In any such estimate, account should be taken of the wide extent of Turkish territory as also of the political situation of the various neighbouring territories.
- 9. Reorganisation of the gendarmerie in collaboration with foreign officers in a uniform manner throughout the whole Ottoman territory under a single central authority.
- 10. Turkey is convinced that the provisional occupation of her capital, and of certain portions of her territory since the armistice by the foreign troops, will come to an end on the ratification of the treaty.

Financial and Economic Clauses

- 1. Turkey demands financial and economic independence, without which no State can be held responsible for its engagements or can be assured of the general development which should be granted it.
 - 8 Printed in B.F.S.P., vol. 107, pp. 706-21. 9 See n. 1 above.
- ¹⁰ i.e. Part III, Section V of the Peace Treaty with Austria, Section IV of the Peace Treaty with Bulgaria, Section VI of the Peace Treaty with Hungary; see B.F.S.P., vol. 112, pp. 353-5, 794-6, and vol. 113, pp. 512-14 respectively.

2. Turkey agrees on her side not to enforce in regard to foreigners any fiscal measure which is not in complete harmony with these measures applicable to her own nationals.

During the long period of the war, Turkey, scrupulously respecting vested interests, did not take as regards Allied nationals or their interests any exceptional measures such as the liquidation or confiscation of assets, and allowed Allied financial and commercial businesses within Turkish territory to carry on without any impediment. None the less, if it be found that any Allied subjects or firms controlled by them established in Turkey before the war have suffered from any acts of the Ottoman Government contrary to international law, Turkey is ready not only to compensate such persons, but also to deposit as surety with the Council of the Ottoman Public Debt the equivalent value of the State and Civil List assets in the detached territories, as also of the military material and stores surrendered or requisitioned.

Mixed commissions consisting in each case of one member representing the interested Allied Power, of one Turkish member and of a neutral chairman shall assess the damages of each claim.

On the other hand, the Turkish people, who have cruelly suffered above all since the cessation of hostilities, feel confident that they are asking for no more than an irreducible minimum in proposing that these same commissions shall also be entrusted with the task of securing reparation for the losses suffered by the Turks as a result of action equally contrary to international law on the part of subjects of armed forces of the Allied Powers and particularly of the Greeks.

Finally, Turkey asks that the distribution of the debt among the territories detached from the Empire, whether as a result of the European war or of the Balkan and other wars, shall be carried out on the basis of the combined systems suggested by the Financial Commission on Balkan affairs which met in Paris in 1913, 11 and that Turkey shall be definitely released from the capital sum represented by the shares thus to be determined.

When once her economic and financial independence has been fully assured, Turkey, being fully determined to exploit her natural riches and to develop her economic resources, undertakes from now on to welcome in the most favourable manner the collaboration of Allied capital and technicians for the purpose of this economic revival.

We hold the authority of our Government and of the National Assembly to discuss several other questions, but we consider it better not to do so in order to prove to you our spirit of conciliation and moderation.

¹¹ For this Commission, see G. P. Gooch and Harold Temperley, British Documents on the Origin of the War 1898-1914, vol. ix, part ii and vol. x, part ii (London, 1934 and 1938).

No. 21

I.C.P. 163] British Secretary's Notes of an Allied Conference held in St. James's Palace, London, on Thursday, February 24, 1921, at 4 p.m.

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister (in the Chair); The Rt. Hon. the Earl Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; POLITICAL EXPERTS, Mr. Kerr, Mr. Vansittart; SECRETARIES, Sir M. Hankey, G.C.B., Major Caccia, Mr. Howorth, Mr. Sylvester.



France: M. Briand, M. Berthelot, M. Loucheur, Count de Saint-Aulaire; POLITICAL EXPERTS, M. Kammerer, M. Brugère; SECRETARIES, M. Massigli, M. Chastenet.

Italy: Count Sforza, Signor de Martino; POLITICAL EXPERT, Signor Galli; SECRETARIES, Signor Guariglia, Signor Taliani.

Japan: Baron Hayashi, Mr. Nagai; secretaries, Mr. Saito, Mr. Matsumiya.

Interpreter: M. Camerlynck.

Greek Delegates: M. Kalogeropoulos, M. Rizo-Rangabé, M. Gounarakis, Colonel Exadactylos.

1. The Treaty of Sevres: Greek Statistics regarding Smyrna Vilayet and Thrace

MR. LLOYD GEORGE called on M. Kalogeropoulos to address the conference.

M. KALOGEROPOULOS said that before proceeding to communicate to the conference the statistics which it required, he wished to invite serious attention to the fact that he gave these figures merely as information and not as arguments in favour of the Greek claims. The Treaty of Sèvres, which had given realisation to Greek aspirations, had been based on a series of principles accepted by all as being founded on justice. The Treaty of Sèvres had been based on statistics supplied by M. Veniselos, and those statistics had been adopted only after a very careful scrutiny and examination.¹ It was in virtue of the acceptance of those statistics that Thrace and the vilayet of Smyrna had been allocated to Greece. Therefore he could not believe that the conference could now contemplate reopening the whole question. Nevertheless, his experts were present that afternoon to give all the information that might be required. M. Gounarakis, the secretary-general to the High Commissioner of Greece at Smyrna, who was present, would be competent to give full details, and he would ask the conference to permit him to speak.

M. Gounarakis stated that the statistics relating to the Smyrna vilayet, which he was about to place before the conference, were Greek data which had been prepared before 1912–13 by ecclesiastical, scholastic and Christian communal authorities. These same statistics had been supplied to the Great Powers by the then President of the Council, M. Veniselos, before the signing of the Sèvres Treaty. These statistics went to show that in the Aidin area, which had been attributed to Greece by the Sèvres Treaty, there existed 548,194 Greeks and 300,921 Turks. M. Veniselos, in presenting these figures, had then affirmed that the same were absolutely correct in regard to the Greek population. The same did not apply to the Turkish figures, since it was impossible for Greek authorities to obtain correct statistics in regard to the Turks.

In regard to the 548,194 Greeks which [sic] existed in the Smyrna area in 1913, as a result of the persecutions which took place in 1914, a little before

¹ See Vol. VII, No. 8, minute 3, No. 11, Appendix 2, and No. 26, n. 5.

the war, and during the war, 140,889 Greeks were expelled and took refuge in Greece, and 50,319 Greeks were deported to the interior of Asia Minor. He wished to lay stress on the fact that these figures were absolutely correct, since they had been collected by the president of the Greek Public Relief Committee, who had undertaken to support these refugees. Since the cessation of hostilities, out of the 140,889 Greeks expelled to Greece, 105,880 [? 105,800] had been repatriated; and in addition it was estimated that of the 50,319 who had been deported to the interior, 50 per cent. had perished. The Greek administration in Smyrna had in 1920 compiled statistics of population—not based on a regular census, but on carefully prepared estimates. These calculations went to show that in the area attributed to Greece by the Sèvres Treaty there existed in 1920, 468,909 Greeks and 473,984 Turks. To the 468,909 Greeks then in the Smyrna vilayet must be added 35,089 Greeks who, as previously stated, had taken refuge in Greece, and have not as yet returned, but are now in Greece ready to return. To these must also be added about 25,000 Greeks, who, as stated, were deported to the interior and died, thus giving a total of 528,998. The conference would admit that it would obviously be unfair not to take account of the 35,089 Greeks who had been deported and who were now in Greece, as well as the 25,000 who had perished. It would be noted with interest that the figure 528,998 thus arrived at approached very nearly to the Greek figures obtained in 1912-13, namely, 548,194, upon which the Greek Government based their claims. It also proved the accuracy of the figures then collected by the Greek Government. Before proceeding further, however, he wished in the next place to refer to purely Turkish figures. The Greek Government had been administering the Smyrna zone since the 1st August, 1920, and had, in consequence, come into possession of the Turkish public records of vital statistics relating to that area. These went to show that in 1917 there were then 289,772 Greeks and 554,859 Turks. Even accepting the Turkish figure of 289,772 Greeks, it would be easy to prove that the number of Greeks in the vilayet of Smyrna would be greater than the number of Turks, because to the Greek figure of 289,772 must be added—

- (i) 105,800 Greeks who had recently been repatriated from Greece to Smyrna.
- (ii) 35,089 deported Greeks who still remained to be repatriated.
- (iii) 25,000 Greeks who died after deportation to the interior of Asia Minor.
- (iv) 50,000 in regard to whom details would be given later.

This gave, accepting the purely Turkish statistics, a total of 505,661 Greeks, as compared with 554,859 Turks. The figure of 50,000 Greeks above referred to had been taken from figures supplied by Turkish authorities, for the following reasons: The Director of the Turkish Bureau of Vital Statistics had stated that the records showed that for the town of Smyrna there existed 20,000 identity cards relating to Greeks resident in Smyrna. In addition, the Turkish Director of Political Affairs for the vilayet of Aidin had also reported that in 1917 there existed 20,000 Greek subjects who wished to

register themselves as Greek subjects, but to whom papers had not so far been issued. Lastly, there existed 10,000 Greeks originating from Epirus, Macedonia, Mitylene, Chios and Crete, who had been living for more than a generation at Smyrna, but had not so far completed the necessary formalities to be registered as Greeks. Adding all these figures together it would be seen that, even if the Turkish statistics of 1917 were accepted, the total number of Greeks dealt with in the Treaty of Sèvres zone came to 505,661 as compared with 554,859 Turks. Furthermore, the conference would admit, in regard to the latter figure, that it would be only right to deduct 35,000 Turkish refugees, residents of Bosnia, Serbia and Bulgaria, who had been driven out after the Balkan wars and established by the Turks on property in Asia Minor confiscated from Greek subjects. In addition, it would be necessary to deduct at least 15,000 Turks as losses incurred by the Mussulmans during the war. Consequently, even if the Turkish statistics of 1917 be accepted, the result would be reached that in the Smyrna region there existed 504,000 Turks and 505,000 Greeks.

MR. LLOYD GEORGE enquired why the statistics referred to had been collected in 1912?

M. Gounarakis explained that the Greek Patriarch had been in the habit, at irregular intervals, of collecting statistics relating to the Greek communities in the Ottoman Empire, not only Greek subjects but also Greeks being Ottoman subjects. To the figures which he had given above he would add the following, which had been taken from Turkish statistics in regard to the population of Smyrna:—

Armenians								18,647
Jews .			•			•		31,346
Sundries.	•	•				•	•	3,524
Foreigners	•	•	•	•	•	•	•	15,487
Total								69,204 [sic]

MR. LLOYD GEORGE then asked M. Gounarakis to give bare figures relating to Thrace, without commenting in any way on the same.

M. GOUNARAKIS said that in Thrace there existed:—

Greeks		•	•	•					365,278
Turks			•			•	•		345,198
Armenia	ıns	•				•		•	24,100
Bulgaria	ns, c	r peo	ple of	Slavo	nic to	ngue	•		30,000
Tot	al		•	•					764,576

Mr. Lloyd George enquired whether these figures referred to the whole of Thrace or merely to Eastern Thrace, and, if the latter [? former], whether figures relating to Eastern Thrace alone could be supplied.

M. GOUNARAKIS replied that the figures related to the whole of Thrace. He could not forthwith supply figures relating to Eastern Thrace alone, but

the same could be communicated to-morrow, if desired. He would add that the above figures had been collected in 1911-12, before the outbreak of the Græco-Turkish war.

MR. LLOYD GEORGE said that he understood an election had recently been held in Thrace, and enquired whether the Mahommedans and Greeks had both been given the same right to vote.

M. Kalogeropoulos replied that no distinction whatever had been made between the Mahommedans and Greeks. The election figures had shown that about three-fifths of the voters were either Greeks or voted in favour of the Greek candidate. Fifty-three Deputies had been elected for that area, and twenty or twenty-one were Mahommedans.

Count Sforza said that it would be useful, in order to enable the conference to make a disinterested study of the question, if M. Kalogeropoulos would inform him whether the Turkish delegation accepted *in toto* the figures which had been given by M. Veniselos. It appeared to him that some slight discrepancy existed in the two figures.

M. GOUNARAKIS enquired whether Count Sforza's remark related to the Thrace or the Smyrna statistics.

COUNT SFORZA replied that he referred to the figures for Thrace.

- M. KALOGEROPOULOS explained that the difference arose from the fact that the figures supplied by M. Veniselos included the whole of the Adrianople areas. Since, however, by the Treaty of Sèvres a part of that area alone had been attributed to Greece, the figures had accordingly been corrected.
- M. BRIAND stated that the Ottoman delegates, when speaking of the distribution of real property in the Smyrna area, had stated that 95 per cent. was in the hands of the Turks.² He enquired if M. Kalogeropoulos could give any information on that point.
- M. Gounarakis replied that he was unable to give any very accurate figure, but it was quite out of the question for him to accept the Turkish estimate of 95 per cent. So far as his information went the numbers were about equal, with a slight preponderance in favour of the Turks. He would be prepared, if the conference so desired, to submit definite figures.
- MR. LLOYD GEORGE enquired whether the Greeks in this district were cultivators of any special kinds of produce.
- M. Gounarakis replied that the Greeks were engaged in producing the finer sorts of horticultural produce, such as wine, figs and tobacco.
- MR. LLOYD GEORGE then enquired whether most of this finer kind of produce was, in fact, produced by the Greeks.
- M. Gounarakis said that this was so. He was not in a position to give any definite figures, but most of the cultivation of vines, fig trees and tobacco plants was in Greek hands. The Greeks were both owners and actual cultivators, and these were the kinds of commodities which they preferred to produce.

MR. LLOYD GEORGE said that the precise figures for this particular kind of occupation were not of great importance. He would, however, like to

2 See No. 20, minute 2.

know in what proportion the total wealth was held by Turks and Greeks respectively.

M. Gounarakis regretted that he had no figures available, and he could only therefore give a very rough idea. If real property was added to industry and commerce, he thought that the percentages would work out at something like 60 per cent. to 65 per cent. Greek, and 35 per cent. Turkish.

MR. LLOYD GEORGE then enquired as to the incidence of taxation. Was the necessary revenue raised by means of direct or indirect taxes?

M. GOUNARAKIS said that it all depended on whether the property was urban or rural. In the case of rural property, there was a tax of 10 per cent. to 12 per cent. ad valorem on the produce of the land. In the case of the towns, direct taxation was in operation.

Mr. LLOYD GEORGE then enquired whether the Greeks or the Turks before the war contributed the largest proportion of the revenue raised in Smyrna by means of taxation.

M. Gounarakis replied that slightly over 50 per cent. of the total revenue was paid by the Greeks. He explained that this estimate covered both the urban and rural taxation, and referred to the taxation imposed for imperial and not local purposes in the territory now in Greek occupation.

MR. LLOYD GEORGE asked whether M. Gounarakis was acquainted with the statistics which had been prepared by the Americans in 1914.3

M. Gounarakis replied that he was not personally cognisant of these statistics. In reply to a further question by Mr. Lloyd George, M. Gounarakis stated that he had been concerned with the administration of Smyrna since the 6th May, 1919. That is to say, his appointment dated from the sixth day after the Greeks had occupied the Smyrna territory.

MR. LLOYD GEORGE then enquired whether good order prevailed in the Smyrna vilayet.

M. Gounarakis said that not only he himself, but the representatives of the Great Powers could testify that excellent order had always been maintained in the town and vilayet of Smyrna. He would refer to published reports on the subject, and, if necessary, he felt sure that Generals Bridges and Hanbury would be prepared to certify to the success of the Greek administration in this respect.

MR. LLOYD GEORGE then enquired whether there had been any trouble from the Mussulman population.

M. Gounarakis explained that at the beginning of the Greek occupation there had been a certain amount of trouble due mainly to the intrigues of the Kemalist politicians, who desired to demonstrate that the Greek army was incapable of maintaining order in territories occupied by it. With this end in view, the civil population had been induced by threats and promises to migrate to places outside the occupied territory, while at the same time an active propaganda was carried on against both the Greek and Mahom-

³ The reference is presumably to pre-war figures prepared by Professor Magie, an expert on the staff of the American Peace Delegation in Paris in 1919; see Vol. VII, No. 26, n. 5 (p. 246).

medan residents, with a view to provoking riots and disturbances, and in the hope that the Greek army would adopt a policy of reprisals. Latterly, perfect calm had prevailed. As an example, he would draw attention to the fact that the front of the Greek army was 800 kilom. in length and passed through a thickly populated district, while the lines of communication were only very lightly held. In these circumstances it might have been expected that the military authorities would have encountered difficulties from the civil population, but this was not the case. There was no instance of the railway having been cut or of attacks having been made on transport. The Turkish population was quiescent because it had the most complete confidence in the Greek administration.

M. Briand said he wished to ask a question about the figures of the population which had been given by the Turks and Greeks respectively. According to the Turks, the total figure for Smyrna was 1,430,000, made up by 1,200,000 Turks and 230,000 Greeks.⁴ According to the Greek figure the numbers of Greeks and Turks was about equal, 500,000 each, or 1,000,000 in all. How did the Greeks explain the great difference between their total figure and the Turkish total?

LORD CURZON pointed out that the explanation was a simple one. The Turkish figure related to the whole of the Smyrna vilayet. The Greek figure related only to the territory in Greek occupation.

M. Briand agreed that this accounted for the difference.

MR. LLOYD GEORGE then enquired whether historically Smyrna had been Greek or Turkish territory.

M. Gounarakis replied that for many centuries prior to 1453 the district had been Greek. Since 1453 the Greek population had diminished owing to Turkish misrule, but the fact that Greek ideals and culture had survived, in spite of Ottoman oppression, indicated how strongly and vigorously Greek sentiment and sympathies had permeated the district.

(At this point M. Kalogeropoulos handed to Mr. Lloyd George two maps of Thrace, indicating the pre-war distribution of population and the effects of the massacres, deportations, &c., during the war.)⁵

In reply to Mr. Lloyd George, M. Gounarakis stated that there was not a single Greek in the Smyrna zone who had been voluntarily converted to Mahommedanism.

COUNT SFORZA said that it might be desirable for the conference to endeavour to elucidate the truth of a suggestion which had been thrown out by the Turkish delegation, to the effect that, taken as a whole, the Turkish population in the Smyrna vilayet were more law-abiding, industrious and honest than the Greek population. The Turkish delegates had offered to agree to the holding of an enquiry into this subject by an impartial commission to be appointed by the Powers. How did the Greek delegation

⁴ Cf. No. 20, minute 2, p. 177.

⁵ Not attached to filed copy.

account for the readiness of the Turks to accept the conclusions of a commission of this kind?

M. KALOGEROPOULOS said that in order to answer Count Sforza's question it was necessary for him to remind the conference of the Turkish habit of delaying and dragging out all kinds of negotiations. It should be remembered that after the San Remo and Spa Conferences, at which these questions were carefully investigated, M. Millerand had written to the Turks informing them that after full investigation the Allied Governments had decided to hand over the Smyrna territory to Greece, and had based their decision on the fact that the Greeks were in a majority.6 It was clear that M. Millerand would not have made this definite statement without having first carefully ascertained the facts, and he, M. Kalogeropoulos, implored the conference not to reopen this question or to give way to Turkish representations. Greece had done her best during the war to help the Allies, and she now, above all things, wanted peace, and must have some quick decision on this subject. At the moment she was being exhausted by the uncertainty of the situation. The conference should remember the sacrifices which Greece had made for the Allied cause. Greek troops had been sent to the Ukraine and had helped to control the Straits. The Great Powers, he was sure, had found in Greece a loyal and faithful ally, as was shown by the fact that they had given her the mandate for Smyrna. Greece must ask the Great Powers to allow her to resume a peaceable life, and to enjoy the fruits of the efforts she had made. Greece, of course, was ready to conform to the wishes of the conference provided those wishes did not interfere with her righteous claims. She would rely on a just and equitable settlement being forthcoming, and would do everything to collaborate with the Powers to secure such a settlement. He again urged the conference not to accept the Turkish proposal, which was merely part and parcel of the Turkish methods of procrastination.

M. Kalogeropoulos added, with regard to Thrace, that the number of Greeks deported before the commencement of the war was 154,087, and after the war started 96,791, or a total of 250,878 in all. Of these, 102,384 only had returned to their homes, leaving 156,494 still missing. While no doubt many of those classed as missing were for one reason or another unable to return home, yet there must be a very large balance representing those deportees who had died as a result of hardship.

MR. LLOYD GEORGE said that he would communicate with M. Kalogeropoulos if the conference wanted further information, or wished to discuss the matter with him again. The Turkish delegates had sent in elaborate statistics, which would be circulated in due course. If the Greek delegation desired to reply to the Turkish statistics, perhaps they would be good enough to communicate with the secretary-general of the conference.

(The Conference then adjourned.)

2, Whitehall Gardens, February 24, 1921.

⁶ See Vol. VIII, No. 62, minute 1 and Appendix 1; cf. No. 15, n. 11.

I.C.P. 164] British Secretary's Notes of a Conference held at St. James's Palace, London, on Thursday, February 24, 1921, at 6 p.m.

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister; The Rt. Hon. the Earl Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; SECRETARY, Sir M. Hankey, G.C.B.

France: M. Briand, M. Berthelot.

Italy: Count Sforza, Signor de Martino.

Japan: Baron Hayashi.

INTERPRETER: M. Camerlynck.

The Treaty of Sevres

MR. LLOYD GEORGE said that, as the conference had now heard what the Greeks had to say, and had also a very fair idea of the Turkish claims, he had thought it advisable to invite an informal preliminary discussion in order that he and his colleagues might clear their minds and ascertain exactly where they stood.

M. Briand said that if we could obtain from the Turkish delegation a formal and clear undertaking that they would accept the result of an enquiry whatever that result might be, which would check definitely the conflicting accounts of the population of Smyrna and Thrace, the situation in these regions would be settled in the best possible manner. M. Kalogeropoulos had just said to him that he had absolute certainty in being able to prove his figures. In that case Greece would have an interest in a settlement of this kind by an international arbitration which, if the Greek Prime Minister's statement was correct, might reach a decision in their favour. Otherwise there would certainly be a prolongation of the present state of war, and the Greeks would soon find themselves in a very difficult situation. He agreed that the Greeks might secure some partial and local successes, but they would take a long time to reach a strategical decision of such a degree as would bring about a definite peace. If things dragged on as at present, he feared the fire which would sooner or later break out throughout the whole of the Near East. At the moment he thought that Bolshevism was coming to an end in its present form. The only way in which it might prolong its existence was to keep in contact with the Turks and to draw closer to the fire which was burning in Asia Minor. Consequently the conference should aim, if possible, at engaging the Ottoman delegation (and he did not think it would be impossible to do this) to accept in advance and to submit to the results, whatever those results might be, of an international enquiry. By this means the present conflict would be brought to an end, as well as the heavy expenditure in men and money. Perhaps it might be easy to secure the assent of the Greeks also. At the present time he recognised that the Greek Government was compelled by public opinion to adopt an uncompromising attitude, but in view of the present internal difficulties of the country they

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might accept this proposal. If they were so sure of their figures they would have no reason to complain of an arbitration and they might hope for success. Of course his proposal was conditional on securing the consent of the Ottoman delegation. It would be out of the question to envisage a prolonged investigation, but if we could induce the Ottoman delegation to say that they would place themselves in the hands of the conference and accept the results of a rapid investigation, whatever those results might be, a practical procedure would be found. Naturally, he would demand at the same time a cessation of hostilities, the exchange of prisoners and guarantees for the minority populations, pending the results of the enquiry.

Mr. Lloyd George asked if M. Briand was not assuming too much as regards the Turkish attitude. He had noted all through that it seemed to have been assumed that the dispute was only about Smyrna. He could not see anything to justify the assumption that if the question of Smyrna were settled the Turks would accept the Treaty of Sèvres. This morning the Turkish delegation had put their case as regards Thrace, the sovereignty of the Straits, the freedom of control in Anatolia, &c., just as strongly as they had put it for Smyrna. Why should it be assumed that the Ottoman delegation would be satisfied with an investigation only into the case of Smyrna? Supposing the decision went in favour of the Turks and that Smyrna was restored to them. Would Mustapha Kemal then make peace without having the rest of the treaty amended; for example, Thrace, Constantinople, the garrisoning of the Straits, the neutral zone, &c.? Supposing, on the other hand, the results of the enquiry went in favour of the Greeks, and he must remark at this point that if the proposal was made on the assumption that the enquiry would go against the Greeks he could not participate in it (M. Briand interjected that this was not the assumption). Suppose then, Mr. Lloyd George continued, the investigators came to the same conclusion as had been reached four times before, at Paris, London, San Remo and Spa, namely, that the Greek case was made out; in this event would Mustapha Kemal bind himself to accept the decision and to make no further claims as regards Thrace, the Straits, the financial and other controls, &c.? Otherwise the arrangement would be a one-sided one, and could only be regarded as a mere device to get the Greeks out of Smyrna. Unless Mustapha Kemal would accept the Smyrna decision as settling the whole treaty the arrangement would be one-sided, because the Greeks would be bound to accept it. If Mustapha Kemal would accept these conditions, the proposal was worthy of consideration.

M. Briand said that perhaps he had explained himself insufficiently. The proposal was only made on the assumption that the Ottoman delegation would say: 'We have produced figures for Thrace and Smyrna, and our opponents have produced similar figures, which do not correspond. We will

¹ See No. 20.

² i.e. at the Paris Peace Conference in 1919 and at the Inter-Allied Conferences of London, Feb. 12-April 10, 1920 (see Vol. VII), San Remo, April 18-26, 1920 (see Vol. VIII, Chap. I) and Spa, July 5-16, 1920 (see ibid., Chap. VIII).

therefore accept an arbitration on these figures. We will agree in advance to bow to the award.' Only then would his scheme be applicable. He would say at once that he thought there was little doubt as to what the decision would be in regard to Thrace; but Smyrna was less certain. This afforded an opportunity to disarm the Turkish Nationalists on a question which specially interested them. Otherwise he would not propose to try it.

MR. LLOYD GEORGE said that perhaps it was he who had not explained himself sufficiently clearly. M. Briand assumed that the only point on which the Kemalists challenged the treaty was as regards Greece. That was not the case of the Kemalists. They challenged the whole treaty, the financial and military terms, the demilitarisation of the Straits, and many other points. Supposing, however, the question were put to Mustapha Kemal: 'We are prepared to set up an arbitration in regard to Thrace and Smyrna. If it decides against you, will you nevertheless accept the whole of the Treaty of Sèvres?' That would be of some value. It was no use putting the case of Smyrna and Thrace by itself. The question must be put to the Kemalists as to whether, if this arbitration were granted, they would withdraw their objection to the rest of the treaty. Then there was a good deal to be said for it.

COUNT SFORZA said that it seemed to him that the important question put by Mr. Lloyd George showed that, in spite of appearances, the conference found itself in a very favourable situation; for fundamentally there were far more important questions involved than that of Smyrna, which was a flag and a slogan. Other questions, such as the financial and economic questions, were really of much greater interest and more important to the safety of civilisation. Assuming for the moment that fair and honest experts were to declare that the Smyrna district should belong to Turkey and not to Greece, then he was convinced that Mr. Lloyd George was right when he thought that the fanaticism of the Angora people would not be satisfied, and that it would maintain its objections to the Treaty of Sèvres. Nevertheless, this would not be very serious, because the adherents of the Angora fanatics would be greatly reduced. The only thing that maintained this fanaticism was the presence of foreigners on Turkish soil, and especially the presence of those who at present occupied the Smyrna district. The moment that flag was withdrawn, all the other questions, financial, economic, &c., would be abandoned by the mass of the people, and there would be peace. He thought also that the peace which ought to be secured by the formula which M. Briand had proposed had an importance for secondary reasons. At the present moment he believed there was at Moscow a delegation of the Angora Turks who were ready to sign peace with the Bolsheviks. They had not yet signed, but were awaiting the issue of the present negotiations.3 In his view this was a terrible danger.

MR. LLOYD GEORGE said he thought that that bogey had been laid. Was he to understand that it was now proposed to say to the Turks to-morrow: 'Will you be prepared to submit your statistical differences with the Greeks to the arbitration of the Powers? Will you abide by their decision, not merely

³ Cf. No. 4, n. 12.

in regard to Smyrna and Thrace, but to the extent of accepting the whole treaty whatever their decision?' Otherwise the proposal was of no value, and he could not accept it.

COUNT SFORZA said that the question might be put in another way: 'Will you accept our decision? If you are right in regard to your figures, then everything will be right. If you are wrong, then the whole Treaty of Sèvres will be imposed.'

MR. LLOYD GEORGE said that nothing could be gained by entering on an enquiry on the assumption that the Greeks would be overruled, and that the Turks would be induced to accept the Treaty of Sèvres, because this would be a direct bribe to the Powers to give a decision in favour of the Greeks [? Turks]; whereas, if they agreed in advance to accept the whole Treaty of Sèvres, and then to engage in the enquiry on a footing of equality between the two parties, there was something to be said for it. The former method involved purchasing peace for ourselves at the expense of the Greeks.

Count Sforza said it was really for the benefit of Greece herself.

MR. LLOYD GEORGE said that Greece, like other nations, was entitled to be accounted the best judge of her own affairs.

M. Briand said that, if he understood Mr. Lloyd George correctly, he wished the Turkish delegation to accept the Treaty of Sèvres with the possibility of an eventual modification in regard to Thrace and Smyrna as a result of this arbitration, but that they must accept the treaty even if the result was adverse; that is to say, the Turks must accept the treaty, subject to a possible modification as the result of this enquiry.

LORD CURZON, who was engaged in drafting a formula, said that he assumed that in referring to 'Smyrna' M. Briand meant the Smyrna district as defined in the Treaty of Sèvres. He asked, however, what he meant by 'Thrace.' The arguments employed by the Turks at the morning meeting had applied entirely to Eastern Thrace. Did M. Briand propose that the investigation should be confined to Eastern Thrace, or extended to the whole of Thrace?

M. Briand said: 'To Eastern Thrace only.'

LORD CURZON then read a draft proposal setting forth M. Briand's suggestions.

M. Briand said that, generally speaking, he would accept the draft, though it might require modification in detail.

MR. LLOYD GEORGE suggested that the Turks and Greeks should be invited to meet the conference on the following day, and that the formula should be read first to the Turks and then to the Greeks.

LORD CURZON said that, of course, his formula did not mean that every detail of every clause of the treaty must necessarily be accepted.

M. Briand said that conditions should also be added in regard to prisoners, and guarantees to be obtained for the populations during the enquiry.

LORD CURZON agreed to add these to his draft.

M. Briand said he should also add something about the cessation of hostilities.

LORD CURZON agreed.

COUNT SFORZA reminded Lord Curzon that, if prisoners were to be referred to, the Turks would say that the prisoners detained at Malta must also be returned.

LORD CURZON said he would be prepared to discuss that.

M. Berthelot suggested that some definition was required of the international commission. He presumed that it would consist of representatives of each of the Great Powers, including the United States of America, and of Greece and Turkey.

LORD CURZON pointed out that the United States of America had cut themselves off from the Associated Powers, and had taken no part in recent inter-Allied activities.

MR. LLOYD GEORGE said that he would summon the Turks for 11.30, and the Greeks for 12 noon, on the following day.

It was agreed—

That the conference itself should assemble at 11.20 a.m. on the following day, Friday, the 25th February, 1921, at St. James's Palace, in order to give a few minutes for discussion before the arrival of the Turkish delegation.

A copy of Lord Curzon's draft is attached (see appendix).

2, Whitehall Gardens, February 24, 1921.

4 Cf. No. 18, section 5.

APPENDIX TO No. 22 Draft by Lord Curzon

(A.J. 258)

Viewing the difference of opinion that has arisen concerning the populations of Eastern Thrace and Smyrna in the areas assigned to the Greeks by the Treaty of Sèvres, the Powers are willing to refer the question of the population of those two areas to an international commission to be appointed by themselves, with instructions to examine into the figures both before and since the war, and to proceed with its investigations on the spot without delay, on the clear understanding, which shall be accepted by both parties, namely, by Turkey and by Greece—

- (a) That they will accept the results of such an arbitration.
- (b) That the remaining clauses of the Treaty of Sèvres shall remain unaltered, and shall be loyally accepted both by Turkey and Greece.

The following supplementary conditions are attached to this proposal:—

- 1. That there shall be an immediate cessation of hostilities between the parties concerned.
- 2. That there shall be an exchange of prisoners between them on conditions to be examined and laid down.
- 3. That guarantees shall be given for the security of the minority populations in Greek and Turkish territories in the interval before the final conclusion of peace.

February 24, 1921.

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I.C.P. 165] British Secretary's Notes of an Allied Conference held in St. James's Palace, London, on Friday, February 25, 1921, at 11.20 a.m.

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister (in the Chair); The Rt. Hon. the Earl Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; Political Experts, Mr. Kerr, Mr. Vansittart; SECRETARIES, Sir M. Hankey, G.C.B., Mr. Howorth, Mr. Sylvester.

France: M. Briand, M. Berthelot, M. Loucheur; POLITICAL EXPERTS, M. Kammerer, M. Brugère; SECRETARIES, M. Massigli, M. Chastenet.

Italy: Count Sforza, Signor de Martino; POLITICAL EXPERT, Signor Galli; SECRETARIES, Signor Guariglia, Signor Taliani.

Japan: Baron Hayashi, Mr. Nagai; secretaries, Mr. Saito, Mr. Tsubokami.

INTERPRETER: M. Camerlynck.

1. The Treaty of Sevres: Smyrna and Thrace

LORD CURZON informed M. Briand, Count Sforza and Baron Hayashi that the gist of the draft proposal to be made to the Turkish and Greek delegations, which had been prepared by him (Paper A.J. 258) had been communicated to the press last evening, and that the secretary-general had then sent copies of the draft to both the Turkish and Greek delegations. The draft had been somewhat hurriedly prepared, and on returning to the Foreign Office he (Lord Curzon) had found it imperfect in two respects. First, with regard to the second of the three supplementary conditions, which had been suggested by M. Briand, and which as drafted provided 'that there shall be an exchange of prisoners between them on conditions to be examined and laid down,' his intention had been that this stipulation should cover an exchange of prisoners between the Turks and the Allied Powers. The second point related to the main condition to be imposed by the Allies, namely, that the offer to submit the question of Eastern Thrace and Smyrna to an international commission was made on the clear understanding that the remaining clauses of the Treaty of Sèvres should remain unaltered, and should be loyally accepted by both Turkey and Greece. There were, however, certain points in the Treaty of Sèvres which had been affected by the march of events, and which would remain to be discussed in the present conference. Such points were the provisions regarding Armenia and Kurdistan;² and he (Lord Curzon) would suggest that a reservation to this effect should be appended to a revised draft of his proposal. With regard to the request of the Turkish delegation to be represented on the International Commission of

¹ For Paper A.J. 258 see No. 22, Appendix. Cf. The Times, Feb. 26, p. 10.

² i.e. Part III, Sections VI and III respectively of the Treaty; see B.F.S.P., vol. 113, pp. 672-3 and 666-7. Cf. No. 26 below for discussions relating to Armenia and Kurdistan.

Control of the Straits,³ he suggested that the delegation might be informed that a Turkish representative would be added to the commission when Turkey had been admitted to the League of Nations.

M. Briand, Count Sforza and Baron Hayashi agreed with Lord Curzon's suggestions on these points.

- 2, Whitehall Gardens, February 25, 1921.
 - ³ See No. 20, Appendix, section 5 of 'Political Clauses'.

No. 24

I.C.P. 166] British Secretary's Notes of an Allied Conference held in St. James's Palace, London, on Friday, February 25, 1921, at 11.30 a.m.

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister (in the Chair); The Rt. Hon. the Earl Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; POLITICAL EXPERTS, Mr. Kerr, Mr. Vansittart; SECRETARIES, Sir M. Hankey, G.C.B., Mr. Howorth, Major Caccia, Mr. Sylvester.

France: M. Briand, M. Berthelot, M. Loucheur; POLITICAL EXPERTS, M. Kammerer, M. Brugère; SECRETARIES, M. Massigli, M. Chastenet.

Italy: Count Sforza, Signor de Martino; POLITICAL EXPERT, Signor Galli; SECRETARIES, Signor Guariglia, Signor Taliani.

Japan: Baron Hayashi, Mr. Nagai; secretaries, Mr. Saito, Mr. Tsubokami.

INTERPRETER: M. Camerlynck.

TURKISH DELEGATES:

Constantinople: His Highness Ahmed Tewfik Pasha, Grand Vizier; His Excellency Mustapha Reshid Pasha, Ottoman Government delegate at London; His Excellency Osman Nizami Pasha, Ottoman Government delegate at Rome; secretary, His Excellency Ali Chevki Bey, Turkish Minister at Stockholm.

Angora: His Excellency Bekir Sami Bey, Deputy for Amassia, Minister for Foreign Affairs (President of Delegation); Djami Bey, Deputy for Aidin, delegate; Khousrew Bey, Deputy for Trebizond, delegate; Yamous Nadi Bey, Deputy for Smyrna, delegate; Zekaia Bey, Deputy for Adana; SECRETARIES, Dr. Nihad Reshad Bey, Munir Bey.

GREEK DELEGATES: His Excellency M. N. Kalogeropoulos, M. Rizo-Rangabé, Greek Chargé d'Affaires in London, M. D. Sicilianos.

(The delegates of the Constantinople and Angora Governments entered the room.)

1. The Treaty of Sevres: Smyrna and Thrace. Armenia and Kurdistan

MR. LLOYD GEORGE informed the Turkish delegates that yesterday the terms of a document, which had been unanimously agreed by the Allied

delegations, had been communicated to the heads of the Turkish and Greek delegations respectively. On behalf of the conference he would now invite the answer of the Turkish delegation, but before doing so he wished to make it clear that the provision in the document relating to the exchange of prisoners was intended to apply not only to an exchange of prisoners between the Greeks and the Turks, but also to an exchange of prisoners between the Allied Powers and Turkey. Further, it must be clearly understood that the statement in the document to the effect that the remaining clauses of the Treaty of Sèvres should remain unaltered, and should be loyally accepted both by Turkey and Greece did not mean that the provisions respecting Armenia and Kurdistan would not be discussed at the present conference. Since the Treaty of Sèvres had been signed, the march of events had effected [sic] certain of its provisions, particularly those relating to Armenia and Kurdistan,² and it would be understood that these questions would have to be definitely settled at the present conference.

TEWFIK PASHA said that he had already stated to the conference the point of view of the Constantinople Government on the question of general principles. Similarly, the delegates of the Angora Government had laid their views before the conference.³ The document which had been circulated to the Turkish delegation by the secretary-general was an indication that a new situation had arisen, on which it would be necessary for the Turkish delegates to make a statement, and he was willing to give up his right to speak in favour of the head of the Angora delegation.

PRESIDENT BEKIR SAMI said that, before giving the views of the Turkish delegates on the proposals which had been circulated by the secretary-general, he wished, on behalf of those delegates, to thank the conference for having admitted in principle the justice of the Turkish claims. The Turkish delegates reposed implicit confidence in the fairness and impartiality of the conference, and they felt sure that when the other Turkish demands came to be considered they would be given a fair hearing and would secure justice.

MR. LLOYD GEORGE said that there must be no misunderstanding at all as to the position. The conference had not admitted the justice of any claims put before it by either party. All that had happened was that the Allied Powers had come to the conclusion that it would be desirable to have a full and impartial investigation into the facts respecting the populations of Eastern Thrace and Smyrna, in order that it might be possible for the Powers to decide justly and fairly between the parties. When the report of the enquiry was submitted to the Powers they would approach it with an open mind, but there was no sort of justification for the suggestion that the validity of the Turkish claims, or any of them, had been admitted.

PRESIDENT BEKIR SAMI said that all he meant to convey was that the Turkish delegates felt so absolutely sure that the enquiry would result in a report favourable to the Turkish claims that he considered he was justified in claiming that the Turkish demands as regards Eastern Thrace and Smyrna had already, in effect, been granted.

¹ See Nos. 22 and 23.

² See No. 23, n. 2.

³ See Nos. 19 and 20.

MR. LLOYD GEORGE said that this explanation put an entirely different interpretation on the suggestion.

PRESIDENT BEKIR SAMI, continuing, said that as regards the future of Armenia and Kurdistan, the Turkish delegates had already set out fully their point of view. The future of these two countries was of very great interest to Turkey, inasmuch as they lie upon her eastern frontier. When the questions came up for discussion, as proposed, the Turkish delegates would be fully prepared to state the Turkish point of view. He now proposed to read to the conference the reply of the Angora delegation to the proposals circulated by the secretary-general.

(A copy of the English text of this reply is annexed (see Appendix).)

PRESIDENT BEKIR SAMI begged the conference to place the best interpretation possible on the statement he had just read. That statement had been inspired by an earnest desire to restore peace and revive Turkey's economic and national life.

(The heads of the Allied delegations had a brief discussion among themselves.)

MR. LLOYD GEORGE stated that the Allied Powers were most anxious that the decisions taken by this conference should be final, and should restore a real and lasting peace to the East. The Powers were therefore most anxious that no questions should be left over for further discussion, and he now wished to put two points to the Turkish delegates, which he would also put later in exactly the same way to the Greek delegates. In answering these two points he must ask the Turkish delegates to bear in mind that the Allied Powers were determined to take the final decisions at this conference. Firstly, President Bekir Sami had said that the Turkish delegation was prepared to accept the proposed investigation into the populations of Eastern Thrace and Smyrna, but it was not only necessary that the Turkish delegates should accept the investigation; they must also, here and now, bind themselves to accept the decision of the Great Powers, whatever it might be, which decision would be given after careful consideration of the report of the investigating commission. The Great Powers could not for a moment tolerate the situation which would arise if one or other of the parties, being dissatisfied with the decision, subsequently adopted the attitude that the question had not been fairly or properly investigated. The Great Powers must know now, and in advance, that their arbitration would be accepted without any question. As regards the arbitration itself, he would give an undertaking that fair and impartial justice would be meted out, whether the ultimate decision was in favour of Turkey or in favour of Greece. Secondly, he (Mr. Lloyd George) wished to make it perfectly clear that, apart from the question of Eastern Thrace and Smyrna, the Turkish delegates must agree to accept the decision of the Allied Powers on the other outstanding questions, and must not themselves raise any other demands or claims under the treaty. As he had already

4 See No. 20, minute 2.

stated, the conference was quite ready to discuss the questions of Armenia and Kurdistan on the basis that those questions would be definitely disposed of by the conference. With regard to the rest, the Great Powers must know that the whole question of the Turkish Treaty was definitely and finally settled when the conference ended, apart only from the question of Eastern Thrace and Smyrna, which was left to be determined by the Great Powers on the receipt of the report of the investigating commission. Here, again, he would have to ask the Turkish delegates to give him a definite answer, and he would also require a definite answer from the Greek delegates.

PRESIDENT BEKIR SAMI said that with regard to the question of the proposed investigation into the populations of Eastern Thrace and Smyrna, he desired to remind the conference that the idea of this investigation had originated with the Turkish delegation, and it had been put forward, not with any hope of deriving some benefit from delay, but as a promising method of arriving at a satisfactory solution. The Turkish delegates, who had initiated the proposal, were prepared to accept the result, whatever that result might be; with regard to the question of Armenia and Kurdistan, the delegates for whom he particularly spoke represented the Grand National Assembly of Turkey, which contained representatives of the whole of Kurdistan, and whatever he and his colleagues accepted in London would be equally accepted by the persons he represented. With regard to Armenia, the Turkish delegates would be quite ready to state their views when the subject came up for discussion.

MR. LLOYD GEORGE, referring to the latter part of President Bekir Sami's statement, pointed out that the answer given did not reply to his question, which was: Did the Turkish delegates accept the rest of the Treaty of Sèvres?

PRESIDENT BEKIR SAMI remarked that when the Great Powers had secured for Turkey the means to live as an independent State and to develop financially and economically, the Turkish Governments would accept the conditions imposed by the Powers. Turkey asked for the right to live as a free community, just as every other State would ask in similar circumstances.

M. Briand said that he would like to put the question in a rather more definite and clearer manner. What the Great Powers had in view was the restoration of peace and the certainty that after the question of Eastern Thrace and Smyrna had been settled, no other question could be raised in regard to the Treaty of Sèvres. The Great Powers therefore demanded a definite answer to the question: Did the Turkish delegation accept the remaining provisions of the Treaty of Sèvres, leaving matters of detail, which might require adjustment, to be decided by the Great Powers?

COUNT SFORZA said that he would like to add that the Great Powers recognised that there were questions which were of such an essential and vital nature to a nation that it would be justified in resorting to war for their solution. There were, however, other questions on which nations were entitled to express an opinion, and these questions were not of a kind which would justify an appeal to arms.

5 See ibid., p. 179.

MR. LLOYD GEORGE said that he would like to have an answer to M. Briand's question.

PRESIDENT BEKIR SAMI said that the question being one of supreme importance to the fate of Turkey, the Turkish delegates would like to have time for consideration, and suggested a postponement until the following morning.

MR. LLOYD GEORGE enquired whether it would not be possible for the Turkish delegates to give their answer this evening at 5 o'clock.

M. Briand remarked that one of the conditions named had been that hostilities should cease between Turkey and Greece. He wanted it clearly stated that the regrettable hostilities between France and Turkey should also come to an end.

PRESIDENT BEKIR SAMI said that he contemplated a cessation of hostilities all round.

It was provisionally agreed—

That the Turkish delegates should meet the Allied delegates at 5 p.m. on Friday, the 25th February, 1921, with their definite answer to the Allied questions.

(The Turkish delegations then withdrew and the Greek delegation entered the Council Chamber.)

MR. LLOYD GEORGE said that the Supreme Council had forwarded to the Greek and Turkish delegations the decisions unanimously reached yesterday. These decisions implied an offer on the part of the Allied Powers to arbitrate on the questions of Smyrna and Thrace between the Greeks and the Turks, on the express condition, firstly, that the conclusions reached should be accepted in advance both by the Greek and the Turkish Governments, whatever the way the verdict might go; and, secondly, that the rest of the Treaty of Sèvres should be accepted without any question in advance, with the exception of certain clauses relating to Armenia and Kurdistan, which had been modified by the march of events. He now wished to ask the representative of the Greek Government whether he would be prepared to accept the decisions reached by the conference in reference to the two points just mentioned.

The Turkish delegations had intimated to the conference that they would accept the decision reached at the arbitration on those two questions, and they proposed to inform the conference that afternoon whether they would also accept the rest of the Treaty of Sèvres in advance. He therefore now desired to ask M. Kalogeropoulos what answer the Greek Government would be prepared to give. He would merely add a statement which he had also made to the Turkish delegations, namely, that the decision of the arbitration must be accepted whichever way it went. The Turkish delegations had informed the conference that they would do so, and he would be glad to hear that the Greek Government would be prepared to give the same answer.

M. KALOGEROPOULOS desired to preface his remarks by inviting attention

to a statement which he had made yesterday to the effect that the intentions of the Greek Government were wholly pacific, and that they would welcome any proposals of conciliation in order to put an end to the conflagration which threatened the whole of the Near East. But the proposals made by the conference contained certain points which required further elucidation. The proposals included the immediate cessation of hostilities, also immediate disarmament. The Allied Powers would be fully aware of the present position of the Greek army. He would enquire, therefore, whether these proposals meant that the Greek army should be disarmed and confined within certain definite limits. In other words, would the Greek army be required to withdraw from its present front lines and lay down its arms whilst awaiting the decisions of the commission of enquiry? In his opinion, it would be extremely hazardous to require a victorious army to disarm and to abandon the fruits of its prowess. What would be the resulting situation in the interior and along the coast, should the Greek army be told to retire from their present positions on the Ismid, Brussa and Panderma fronts? Who would be available for the protection of the populations? How would the Greek army be replaced in order to ensure the security of all the inhabitants of those territories against unfortunate consequences?

These points having been cleared up, he would in the next place beg the conference to realise the position in which the Greek delegation found itself placed. The Greek Government was now asked to nullify a title-deed which bore the signatures of the Great Powers, whilst, on the other hand, the other sections of the treaty were to be duly respected. That is, only those clauses which interested Greece were to be kept in suspense. The Greek Government did not for a moment question the sentiments of fairness and justice which guided the conference, but under the circumstances he felt compelled to obtain the views of the Greek Government. The more so since, at the present moment, there did not exist in Greece a Government formed by a majority. There sat a Constituent Assembly, which held in its hands all the powers relating to public law. Before starting to attend the conference in London, the main lines of policy to be followed by the Greek Government had been submitted to the Assembly. These questions had been keenly discussed, and after an exchange of views between all parties, the declaration had been made and approved by the Assembly that the Greek delegates should be required, in London, to plead for the maintenance of the Treaty of Sèvres. Consequently, before agreeing to the abandonment of any of the clauses of the Treaty of Sèvres, it was his primary and bounden duty to elicit the views of the Greek Government based on the decision of the Constituent Assembly. For these reasons it would be necessary for him in the first place to communicate with Athens. He had, in fact, already telegraphed, and he would therefore merely beg the conference to grant the necessary delay to enable him to obtain an answer. He would repeat, both for himself and on behalf of the Greek Government, that they were animated by the most pacific intentions and their only desire would be to put an end to the existing 6 See No. 21, p. 188.

tragedy, always provided nothing untoward were done to injure those who wished to safeguard their interests, their lives and their honour.

MR. LLOYD GEORGE informed M. Kalogeropoulos in respect to certain explanations asked for, that no proposals had ever been made by the conference to the effect that the Greek army should lay down its arms. The Turkish Government had never asked that this should be done. The Greek army had not even been asked to retire from its present positions, pending the decisions of the Great Powers. As long as the matter remained sub judice the Greek army would remain in its present positions; but, obviously, it must not advance or take any other hostile measures. These were merely the necessary conditions of an interruption of hostilities. That is, the Greek forces must not be reinforced and the Greek Government must not take advantage of the cessation of hostilities to place itself in a better position. It was fully realised that the Greek Government would require that similar conditions should be imposed on the Turks.

In conclusion, speaking for himself and on behalf of his colleagues also, he would urge the Greek Government to accept the decision of the conference. It would put the Greek Government in a very bad position in reference to the world at large if Turkey, having accepted the arbitration of the Great Powers on questions which vitally affected their honour and which had stirred them very deeply, the Greek Government refused. The Great Powers would be prepared to give the same guarantee to Greece which they had given to the Turks, namely, that the enquiry would be conducted in an equitable manner with a sincere desire to give what was fair and just both to the Greeks and the Turks.

Finally, he would enquire when M. Kalogeropoulos expected an answer, as it would be impossible to postpone a decision much longer, especially in view of the arrival of the Germans in London.

M. Kalogeropoulos enquired what control could honestly be devised in order to ensure that the Kemalist armies neither advanced nor received reinforcements during the armistice period.

MR. LLOYD GEORGE explained that, whatever happened, the commission of enquiry could not take long carrying out its enquiries. Therefore, there would not be much time in which to do much on the lines suggested by M. Kalogeropoulos. Promptitude would constitute the essence of the proposals made by the conference should it be found necessary, as suggested by Count Sforza, for Allied officers to be attached to the Kemalist and Greek armies in order to control their movements.

M. KALOGEROPOULOS said that he would telegraph immediately to Athens and insist on an immediate reply, but he could not say, in view of regrettable telegraphic delays, whether this reply could be received in twenty-four or forty-eight hours. As soon as the reply was received he would communicate the same to the conference.

In conclusion, he begged the conference carefully to consider the following point: At the present moment a Greek army existed fully equipped and ready to advance; it was now proposed to delay that advance for a period of

at least two months.⁷ It would be readily admitted that this proposal would create much irritation and probably lead to regrettable incidents. The Greek army had been mobilised since a year, during which period it had been constantly fighting. It was ready to take the offensive, and if now it were suddenly stopped in its victorious progress, believing that the ground gained by the Treaty of Sèvres as a result of great sacrifices in money and men would be lost, it would be difficult to say what the army would do. He did not intend to dispute the justice of the proposals made by the conference, but the rumours which would undoubtedly reach the soldiers might lead to serious consequences. He would therefore beg the conference carefully to weigh the whole situation.

MR. LLOYD GEORGE said that the conference would be glad to receive the reply of the Greek Government at the earliest possible date. This M. Kalogeropoulos had promised to do, and the question could not be carried any further that morning.

(The conference then adjourned to meet again at 5 p.m.)
2, Whitehall Gardens, S.W.,
February 25, 1921.

⁷ See penultimate paragraph of the Appendix below.

APPENDIX TO No. 24

Reply of the Angora Delegation

The delegation from the Grand National Assembly at Turkey accepts the proposal of the Supreme Council to nominate an international commission for the purpose of investigating on the spot and verifying the statistics drawn up before and after the war for the populations of Eastern Thrace and Smyrna. The acceptance of this proposal is, however, dependent on the following conditions:—

The delegation is pleased to note that the Allied Powers have been so good as to take into consideration the representations which it has made in regard to the rights of the Turkish people based upon the principles of nationality. The delegation takes note of the attitude of the Powers in this respect, and, relying confidently on the ethnic, political and economic rights of the Turkish people, awaits with the greatest confidence the result of this enquiry.

The delegation considers that the Supreme Council will doubtless admit that an international administration should be substituted for Greek administration in order to assure the unhampered action of the commission. The former functionaries of the districts in question should be recalled to render assistance to the commission.

The delegation feels obliged, nevertheless, to state clearly that it was not prepared for the request formulated by the Allied Powers that it should completely renounce, in exchange for the satisfaction given in regard to the oft-proclaimed principle of nationalities, its claims regarding the economic, financial and other clauses of the treaty. The delegation considers these claims to be of vital importance to the independence and existence of Turkey.

The delegation still hopes that these questions, which have been relegated into the background by the Allied Powers, will similarly be examined in a friendly spirit and that the Turkish people will obtain justice. In the event of the Supreme Council being so good as to take into consideration the national claims submitted to the conference at the sitting of the 24th February, 8 the Turkish delegation consents to the cessation of the hostilities between Turkey and Greece as well as to the exchange of prisoners of war and political prisoners between all the interested Powers. In return, Greece must undertake not to send fresh troops into these districts, and not to move in any direction the forces which are already there.

Since the creation of the new state of things in the Near East the Government of the Grand National Assembly of Turkey have scrupulously applied the necessary measures to ensure public order and the security of national minorities. The delegation undertakes to give the guarantees desired, and asks the Supreme Council to insist on obtaining from the Greek Government reliable guarantees as to the protection of life and property of the Turkish population inhabiting the regions occupied by the Greek forces, whose methods of extermination have already entailed the loss of many lives and much property upon the wretched inhabitants.

Threatened in its very existence, the Turkish people is firmly decided to put an end to an odious and bloody occupation; the Turkish people looks with confidence to the issue of the struggle into which it has entered against the Greek Government; it is completely confident at being able to impose upon the Greeks the just solution for which it is now soliciting the Supreme Council. Before history and before the bar of world opinion we decline any responsibility for what may result from the continuation of the state of war and the new disasters and fresh tragedies which it will add to those of the great catastrophe of the European war, which weighs like a nightmare upon humanity.

If, after the Turkish delegation in a spirit of the most broadminded conciliation has placed the cause of the Turkish people in the hands of the Supreme Council, a pacific solution is not arrived at owing to the categorical attitude of the Greeks, then the delegation owe it to their conscience to declare openly that the people which it has the honour to represent is absolutely determined to persevere to the end in defending itself legitimately against the mortal danger which threatens its home.

February 24, 1921.

The prolongation of a state of uncertainty being of a nature to create difficulties, the Turkish delegation considers it important that the international commission should finish its labours within two months at the most.

The Turkish delegation is convinced that the international commission to be appointed will take into consideration the large number of Moslems who must have emigrated after the Greek occupation.

- 8 See No. 20.
- 9 The section omitted was the same, except for a few minor verbal amendments, as the Appendix to No. 22 and has therefore not been reprinted here.

I.C.P. 167] British Secretary's Notes of an Allied Conference held in St. James's Palace, London, S.W., on Friday, February 25, 1921, at 5 p.m.

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister (in the Chair); The Rt. Hon. the Earl Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; Political Experts, Mr. Kerr, Mr. Vansittart, Mr. Nicolson; Secretaries, Sir M. Hankey, G.C.B., Major Caccia, Mr. Sylvester.

France: M. Briand, M. Berthelot, M. Loucheur, Count de Saint-Aulaire; POLITICAL EXPERTS, M. Kammerer, M. Brugère; SECRETARIES, M. Massigli, M. Chastenet.

Italy: Count Sforza, Signor de Martino; POLITICAL EXPERT, Signor Galli; SECRETARIES, Signor Guariglia, Signor Taliani.

Japan: Baron Hayashi, Mr. Nagai; secretaries, Mr. Saito, Mr. Tsubokami.

INTERPRETER: M. Camerlynck.

TURKISH DELEGATES:

Constantinople: His Excellency Mustapha Reshid Pasha, Ottoman Government delegate at London; His Excellency Osman Nizami Pasha, Ottoman Government delegate at Rome; secretary, His Excellency Ali Chevki Bey, Turkish Minister at Stockholm.

Angora: His Excellency Bekir Sami Bey, Deputy for Amassia, Minister for Foreign Affairs (President of Delegation); Djami Bey, Deputy for Aidin, delegate; Khousrew Bey, Deputy for Trebizond, delegate; Yamous Nadi Bey, Deputy for Smyrna, delegate; Zekaia Bey, Deputy for Adana; SECRETARIES, Dr. Nihad Reshad Bey, Munir Bey.

MR. LLOYD GEORGE enquired whether the Turkish delegations were now prepared to give an answer to the questions which had been put to them that morning.¹

Bekir Sami Bey said that the Ottoman delegation, fully trusting in the high wisdom and in the spirit of equity which animated the distinguished members of the conference, had not abandoned the hope that a fair and just decision would be reached. With the permission of the conference he would therefore read to them the considered terms of their reply.

Bekir Sami Bey then read the following statement:—

'The delegation of the Great National Assembly of Angora entirely shares the desire of the conference to reach as soon as may be a definite and just peace. It is basing itself on this view-point that it accepts the nomination of the Allied Powers of an international commission charged with proceeding with an impartial and complete enquiry into the state of the population in regard to their nationality in the territories of Eastern Thrace and the vilayet of Smyrna.

¹ See No. 24.

'The Turkish delegation undertake to accept the results of this arbitration, relying on the assurances of the Supreme Council that the necessary enquiries will be made with perfect justice and in freedom from any kind of pressure. The delegation requests that the results of this enquiry should be considered in their entirety for each of the two territories in question, Eastern Thrace on the one hand and the vilayet of Smyrna on the other; each of these territories form[s] an indivisible whole.

'As far as regards the Treaty of Sèvres, the Turkish delegation has had the honour to represent that Turkey asks for a peace which will assure her the possibility of living as an independent State. The delegation has received from the nation instructions to reach such a peace, accepting such sacrifices as are necessary but compatible with the sovereignty of the State. Turkey makes these sacrifices in accepting that considerable territories, representing a very important part of her population and natural riches, should be separated from her Empire. It would be impossible for the delegation to subscribe to conditions, the effect of which would be to deprive her of rights most essential to her existence. An impartial examination of the financial and economic clauses of the Treaty of Sèvres, a simple comparison between those clauses and those contained in the treaties of Versailles, Saint-Germain, Neuilly and Trianon would positively suffice to convince the Supreme Council as to the well-founded and perfect equity of the claims of the Turkish delegation.

'The Turkish delegation therefore begs the Supreme Council to give it the possibility loyally to collaborate in the establishment of an effective peace by recognising the rights the most sacred for an independent nation, and to [sic] which it would be impossible for her to renounce.

'We could not, without overstepping the limits of our powers, subscribe to the conditions of the Supreme Council; we are obliged, therefore, to refer the same to the National Assembly in order to enable us to communicate our definite reply.'

Mr. Lloyd George enquired how long it would take for the Turkish delegation to obtain an answer from Angora. The German representatives would be coming to London on Tuesday,² and it was urgent to dispose of the Turkish problem before then.

PRESIDENT BEKIR SAMI said that he would do all that was possible in order to obtain an early reply, possibly by Monday evening.

MR. LLOYD GEORGE said that the members of the conference were agreed that his Excellency Bekir Sami had made a reasonable request, and that it would be necessary for him to communicate with Angora before giving a final reply. Though the conference fully realised that his Excellency's delegation possessed full authority, yet, should a favourable answer be received from Angora, that knowledge would give greater assurance to the delegation that they had behind them the representatives of the Assembly of Angora. Further, in reply to what President Bekir Sami had stated, he would add that

² March 1.

the Allies intended that the enquiry should be conducted in a spirit of perfect fairness and judicial impartiality. That was the determination of the Powers. They were determined to decide the rival claims of Turkey and Greece in strict accordance with the principles of justice.

MUSTAPHA RESHID PASHA said that the Turkish delegates had already placed before the conference, in a statement which had been read by the Angora delegates, their desiderata.³ The Sèvres Treaty, however, contained other articles which were applicable to the whole of the Turkish Empire, and since his Government had no real authority over certain of those territories it would be necessary for them to await the reply of the Angora Government; but meanwhile his Government could not be held responsible for the non-application of the treaty.

MR. LLOYD GEORGE desired the Turkish delegates thoroughly to realise, before proceeding further, that every question contained in the Sèvres Treaty must be considered as closed, with the exception of the ones relating to Thrace and Smyrna, which were to be adjudicated upon by the Great Powers.

PRESIDENT BEKIR SAMI desired to express his gratitude to the Supreme Council for the confidence which had been extended to his delegation. The Grand National Assembly of Angora was inspired by an anxious desire to reach an equitable and just peace, and should that aim be realised they would be prepared to make all sacrifices short of impairing the very existence of the Turkish Empire as a separate and independent nation. It would be agreed that it would be futile to acquiesce in a peace that did not enable the country to live; such a peace would merely represent a sentence of death. He begged the conference to realise that the interests of Turkey and those of the Allies were identical.

MR. LLOYD GEORGE suggested that, in order profitably to utilise the time pending the receipt of a reply from Angora, it might be desirable for the Allied and Turkish experts to meet to consider the question of Armenia and Kurdistan. He would propose, therefore, that a meeting between technicians should be held at the Foreign Office to see whether an agreement could be reached in regard to the eastern boundaries of Turkey. He wished to enquire whether it would be convenient to the Turkish delegates to meet at the Foreign Office on the following morning at 11.30, to discuss these questions.

PRESIDENT BEKIR SAMI concurred. He suggested, however, that, in addition to the eastern frontiers, the experts should be empowered to examine also whether the economic and financial clauses of the Treaty of Sèvres were applicable. Similarly, the southern frontiers could be studied informally, without any engagements being taken.

It was decided—

That the Allied and Turkish experts should meet at the Foreign Office on the following morning, Saturday, the 26th February, 1921, at 11.30,

³ See No. 20.

⁴ Note in original: 'French version says: "President Bekir Sami Bey said that he had the pleasant duty of thanking the Supreme Council for the assurance they had given him on the subject of the conditions governing his enquiry into Smyrna and Thrace."

to examine the frontiers of Turkey-in-Asia with Armenia and Kurdistan, and to discuss informally questions relating to the remaining frontiers of Turkey.

(The proceedings then terminated.)

2, Whitehall Gardens, S.W. 1, February 25, 1921.

No. 26

I.C.P. 167A] British Secretary's Notes of an Allied Conference held in Lord Curzon's Room at the Foreign Office, London, S.W., on Saturday, February 26, 1921, at 11 a.m.

PRESENT: British Empire: The Rt. Hon. the Earl Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs (in the Chair); POLITICAL EXPERTS, Mr. Vansittart, Mr. Osborne; SECRETARIES, Mr. Nicolson, Mr. Howorth, Lieut.-Colonel C. W. G. Walker, D.S.O.

France: M. Berthelot; POLITICAL EXPERT, M. Kammerer; SECRETARY, M. Massigli.

Italy: Count Sforza; POLITICAL EXPERT, Signor Galli.

Japan: Baron Hayashi; POLITICAL EXPERT, Mr. Nagai; SECRETARY, Mr. Saito.

Interpreter: M. Camerlynck.

Armenia: His Excellency Boghos Nubar Pasha, His Excellency M. Aharonian, M. Malcolm, General Bagratouni.

TURKISH DELEGATES:

Constantinople: His Excellency Osman Nizami Pasha, Ottoman Government delegate at Rome.

Angora: His Excellency Bekir Sami Bey, Deputy for Amassia, Minister for Foreign Affairs (President of Delegation); Dr. Nihad Reshad Bey, Munir Bey.

LORD CURZON stated that the Supreme Council had been informed that the Armenian delegation desired to state their case in connection with the negotiations now proceeding regarding the Treaty of Sèvres. Everyone knew the unfortunate events which had modified the situation since the Conference of San Remo.¹ The present meeting had been convened in order to enable the Armenian delegation to give their views on the present situation. The conference would listen to what the delegation had to say and would report to the Supreme Council. There were two points, however, on which the conference must in the first place be enlightened, namely, who was the spokesman on behalf of the Armenians, and what was the body on behalf of which this spokesman would address the conference.

BOGHOS NUBAR PASHA replied that since the beginning of the war he himself had represented the Armenians of Turkey. After the fall of the old régime

¹ See Vol. XII, Chap. IV, pp. 597-678, for events in Transcaucasia since the San Remo Conference in April 1920.

in Russia the Republic of Erivan had been constituted and had formed a special delegation, presided over by M. Aharonian. These two delegations had worked together in the hope of securing the union of Turkish and Russian Armenia. Recent events have doubtless complicated the situation, but this had not prevented the two delegations from combining or from continuing their joint efforts.

Boghos Nubar and M. Aharonian would each speak in the name of their respective delegation, but the former would act as chairman of the two.

LORD CURZON indicated his assent to this arrangement.

Boghos Nubar Pasha opened his statement by begging the conference to excuse the emotion which overcame him at so critical a moment in the history of his suffering people, of a people who had shed their blood on the side of the Allies and who, in spite of the victory of these Allies, now found themselves in the most critical and uncertain position.

The basis of the Armenian programme was the Treaty of Sèvres. The Armenian delegation demanded the maintenance of this treaty in so far as Armenia was concerned. They felt that in making this request they had the approval of the conference, since it was the conference which had drawn up the treaty, and since the Powers when drafting the articles on Armenia desired, not only to put an end to the excesses of which Armenians had been the victims, but also to suppress the germs of future conflict. One question which was sometimes raised was whether the constitution of a Bolshevik régime at Erivan² should be allowed to affect the creation of an Armenian State as foreshadowed in the Treaty of Sèvres. It must not be forgotten that the independent Armenia provided for in the treaty was to be formed by the union of the Armenian Caucasian Republic with portions of the four Armenian vilayets of Turkey, the frontiers of which territory had been submitted to the arbitration of President Wilson.³ The fact that a Soviet had been imposed upon Armenia should not prevent the Powers from freeing the other portions of the country, that is to say, the four Turkish vilayets. It should be remembered, indeed, that it was in Turkey that the Armenian question had had its origin; it was the massacres of the Armenians in Turkey which had induced the Powers to work for their liberation. It was with a conquered Turkey and not with Russia, their former ally, that the Powers had signed the Treaty of Sèvres. It was merely because Russian Armenia had happened to proclaim its independence that it had been incorporated in the Armenian State. It was true, of course, that the four vilayets were occupied by the Kemalist troops, but the Allies have various means of pressure which they could use to secure evacuation. Among the sanctions they could enforce the most easily applicable would be the continuance of the occupation of territories which are now under Allied military control,

² For the setting-up of a Soviet regime in Armenia on Nov. 30, 1920, see Vol. XII, No. 634.

³ See Article 89 of the Treaty of Sèvres. For the referring of the definition of the Armenian frontiers to President Wilson, see Vol. VIII, No. 14, minute 3, No. 15, minute 1, No. 16, minute 2, No. 20, minute 2, and Vol. XII, Nos. 598 and 600.

but which, if Turkey carried out her engagements, would eventually have been evacuated.

Boghos Nubar then proceeded to discuss the question of Cilicia, where the situation was, he admitted, entirely different. In view of the fact that the Armenians had asked for the application of the Treaty of Sèvres as regards their own country they could scarcely contest the clauses of this treaty which concerned Cilicia. They therefore accepted these dispositions and admitted that the greater part of Cilician territory must remain under Turkish sovereignty. They begged none the less that the population of Cilicia, which before the war was in majority Armenian and which even now comprised more than 150,000 Armenians, who, thanks to France, had been repatriated since the armistice, should not be abandoned to Turkish administration. The conferences of Paris and Spa had recognised in the notes which they addressed to the Turkish delegation the incapacity of Turkey to govern alien races.4 Cilicia was one of those regions where this incapacity had been peculiarly glaring. The clauses bearing on the protection of minorities scarcely applied to this district, since the Armenians of Cilicia constituted, in fact, not a minority, but a majority. The Armenians appealed therefore to France, who was their official protectress and in whose zone of influence Cilicia was included, not to desert the Armenian populations, but to obtain for Cilicia a régime of administrative autonomy with a mixed gendarmerie. Such a régime would leave intact the Turkish sovereignty over the country and would at the same time secure order and tranquillity. It was impossible to conceive that after a war which had restored so many oppressed peoples to their homes, the Armenians who had suffered so terribly and who had fought on the side of the Allies should be the only people for whom not even a corner of their country could be redeemed.

LORD CURZON asked Boghos Nubar to explain what he meant by a mixed gendarmerie.

Boghos Nubar replied that his idea was the constitution of a mixed gendarmerie composed of the Christian inhabitants of the country, who are mostly Armenians, as well as of Moslem inhabitants.

M. Aharonian began by stating that he spoke in the name of the Armenian State recognised by the Treaty of Sèvres, and the legal Government of which had just been restored after the fall of a transitory Soviet régime.⁵ The Turkish successes and the capture of Kars and Alexandropol⁶ had led to the temporary installation of a Soviet régime. Although he did not know the details of what had passed yet, he would like to explain the general nature of the occurrences to the conference in order to combat the impression which existed in some quarters that these recent events had created a new situation.

Bolshevism was only rendered possible in Armenia by the successful advance of the Turkish forces. The best proof of this lay in the fact that Georgia

- 4 See Vol. IV, No. 426, Appendix IX and Vol. VIII, No. 62, Appendix 1.
- ⁵ The Dashnak (Nationalist) party had carried out a successful coup d'état on Feb. 19 and established a Provisional Government.
 - ⁶ See Vol. XII, No. 615 enclosure.

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had been able to resist the infection and that in Armenia itself the Soviet had already been overthrown. The Kemalist invasion of Armenia was really directed against the Treaty of Sèvres and against the Allies. This was proved by the first conditions imposed upon Armenia after the defeat, stipulating the rejection of the Treaty of Sèvres by the Armenian Government. There were some who said that as Russian Armenia had become Bolshevised there was no longer any need to create an Armenian State. These people forgot, however, that all the Armenians of Turkey had not been exterminated. Nearly 300,000 of them had taken refuge in the Caucasus and were waiting the moment when they could return to their homes. It should be remembered, however, that in the three Vilayets of Van, Bitlis and Erzeroum, according to the latest information, there remain only 96,000 Moslems.

He admitted that the Government of Erivan had entered into negotiations with the Kemalists,⁷ but he had himself received a letter after the fall of Kars and before the signature of the treaty,⁸ in which his Government informed him that they were surrounded and would be forced to accept the conditions of their enemies, but they instructed their representative in Europe not to recognise this impending treaty and to deny the validity of any engagements undertaken by them under Soviet and Kemalist pressure. The Turks are now devastating the regions which they have invaded and endeavouring systematically to replace the Armenian element by Moslems; the Armenian delegation would welcome the despatch of an Allied commission to this part to verify this account of present conditions. The Turkish Nationalists, by invading Armenia, sought to render impossible the execution of the Treaty of Sèvres and the creation of an Armenian State, their ambition being to join hands over Armenian territory with the Turanian elements.

M. Aharonian stated in conclusion that the Treaty of Sèvres had given Armenia to the Armenians as a recompense for what they had suffered after five centuries of persecution, thirty years of struggle and six years of war and massacre. Article 218 of the Treaty of Sèvres assures the protection of the cemeteries where Allied soldiers are buried in Ottoman territory; for the Armenians, Turkish Armenia itself was one vast cemetery, a sacred plot of land which they would never cease to claim. Let not the Allies forget, moreover, that if 1,500,000 Armenians had been massacred there still remained another 2,000,000 in Russian Armenia and 1,000,000 further dispersed abroad. These remaining Armenians would never be at rest until this sacred land of Turkish Armenia was restored to them.

The decision which would eventually be taken by the Supreme Council would have an important effect upon the spread of Bolshevism in Transcaucasia; he was convinced that an announcement that the Treaty of Sèvres would be maintained would be a terrible blow for Bolshevik propaganda.

LORD CURZON stated that there were certain questions which he would like to ask. Both the Armenian delegations had demanded that the Supreme Council should stand by the whole of the Treaty of Sèvres. At the same time

⁷ Cf. Vol. XII, No. 622.

⁸ i.e. the Treaty of Alexandropol, see No. 20, n. 1.

Boghos Nubar had himself admitted that there were serious difficulties to be faced. In Lord Curzon's opinion, these difficulties could be grouped under three headings, namely, Bolshevism in Russian Armenia, the occupation by Mustapha Kemal of the greater portion of Armenian territory, and the inability of the Powers to send large forces to assist Armenia. It would thus be useful to learn what the Armenian delegation considered were the essential territorial limits of Armenia. They would remember that the Conference of San Remo had referred the definition of the Armenian frontiers to President Wilson. President Wilson had drawn a frontier which included several Turkish portions as well as the port of Trebizond. It was clear that there would be very great practical difficulty in establishing such a frontier. Lord Curzon desired, therefore, to put two definite questions to the delegations, namely:—

- 1. What were the essential limits of Armenia for which the two delegations pleaded?
- 2. What were the resources in men and money which Armenia could herself furnish to achieve her independence?

Boghos Nubar Pasha replied that the decision of President Wilson had never been communicated to the Armenian delegation. Lord Curzon had just said that President Wilson's frontier included Trebizond within Armenian territory; it would be remembered, however, that since last year's London Conference, when the Frontiers Commission had been of opinion not to include Trebizond in Armenia¹⁰—which the two Armenian delegations had accepted—the Armenians themselves had never claimed Trebizond, and even in the recent memoranda which they had sent to New York and Washington stating their claims, they had been careful to exclude the Port of Trebizond (where the Armenians are not in the majority) from their programme. All that they had demanded was access through Trebizond to the sea. As regards the rest of President Wilson's frontier it was difficult to express an opinion as the Armenians did not know what it included. They were prepared, however, to be accommodating.

LORD CURZON, after thanking Boghos Nubar for his declaration, asked M. Aharonian to furnish information as to the treaty come to between Mustapha Kemal and Armenia, before that country became Sovietised. What did this treaty include? What frontiers, as between Armenia and Turkey, did it provide for? Was it recognised by the Armenian delegation? Was it included [? concluded] before or after Armenia was invaded by the Turks?

M. Aharonian in reply again referred to the instructions he had received from his Government after the fall of Kars. The treaty had been imposed by force, and was categorically repudiated by the Armenians. As regards the frontiers, he did not know the exact line; approximately the frontier followed the River Arpachai till its meeting with the Araxes; Kars and Kagizman were

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⁹ The text of President Wilson's decision of Nov. 22, 1920, is printed in F.R.U.S., 1920, vol. 3, pp. 790-804. It was made public in Washington on Jan. 2, 1921.

¹⁰ See Vol. VII, No. 34, minute 2 (a).

surrendered to Turkey. Beyond the Araxes the frontier turned to the west and followed the longitude of Erivan.

LORD CURZON referred to Boghos Nubar's suggestion that some arrangement might be made for the protection of Armenians in Cilicia, and asked whether the French delegation had any observations to make on the subject.

M. Berthelot reminded the conference that France had always expressed a determination to do all that was possible to secure the protection of Christian minorities. This undertaking figured not only in the Treaty of Sèvres but also in the tripartite agreement.¹¹ The French Government did not think that it would be possible to demand a special régime for Cilicia. No such régime had ever been contemplated in the Treaty of Sèvres. On the other hand, France was determined to do all that she could to secure a complete guarantee for Armenian minorities whether by the creation of a mixed gendarmerie under French officers or whether by some other arrangement. In any case France would keep her engagements whatever might be her relations with Turkey.

In thanking M. Berthelot for these assurances, Boghos Nubar expressed disagreement with the word 'minority' as applied to the Armenians in Cilicia. In fact the Armenians constituted a majority of the Cilician population. In order to support his contention he quoted the figures given in a recent book by a French officer, M. Pierre Redan, entitled 'La Cilicie et le Problème ottoman.'12 In this book certain figures were quoted from the 'Oriental Year Book' published at Constantinople, and which show the population of the Vilayet of Adana to be 185,000 Moslems as against 215,000 Christians. These figures had even been quoted in the French Chamber of Deputies.

M. BERTHELOT contested these figures, and asked permission for M. Kammerer¹³ to make a detailed statement.

M. Kammerer indicated that according to the official figures the Vilayet of Adana comprised, in 1914, 314,000 Moslems, 55,000 Christian Armenians and a certain number of Greeks. Moreover, the French authorities had reported that before the war, and even up to the end of the war, the population was three-quarters Moslem and one-quarter Armenian. It is true that many Armenians had recently taken refuge in Adana, while a large number of Turks had left the town. It was thus possible that at the present moment there existed a Christian majority in the actual town of Adana, but it was not a large majority and applied only to the town itself.

BOGHOS NUBAR PASHA indicated his desire of replying to M. Kammerer's figures, but LORD CURZON intervened and said that the meeting must continue its main programme. He thanked the Armenian delegates for their statements which would be reported to the Supreme Council with whom the final decision rested.

The Armenian delegations then withdrew.

¹¹ Of Aug. 10, 1920, between Great Britain, France and Italy respecting Anatolia; printed in B.F.S.P., vol. 113, pp. 797-803.

¹² Published in Paris in 1921. The figures quoted are printed on p. 43.

¹³ Head of the Asia and Oceanic Section in the French Ministry of Foreign Affairs.

(The sitting was suspended for a few minutes at 12.15 while the Turkish delegates were introduced.)

LORD CURZON began by reminding the Turkish delegation of the decisions which had been taken at the recent sittings of the Supreme Council. It had been agreed that a special commission should be sent to Smyrna and Thrace to investigate the ethnical statistics on the spot; the condition of the despatch of this commission had been that the Treaty of Sèvres should stand. There were, however, certain portions of the treaty in regard to which the passage of events had necessitated reconsideration, especially was this the case in regard to Kurdistan and Armenia.

[a.] Kurdistan

LORD CURZON then proceeded to summarise the provisions of articles 62 and 64 of the Treaty of Sèvres relative to Kurdistan. He would like to hear Bekir Sami Bey's views on these clauses, and all the more so as Sami Bey had alluded the day before in the Supreme Council to the presence of Kurdish Deputies in the National Assembly at Angora, and to the close co-operation with their Turkish colleagues.¹⁴

Bekir Sami Bey replied that, as he had already had the honour to tell the Supreme Council, the populations of Kurdistan possessed complete representation in the Grand National Assembly, since each sanjak, which had been taken as the electoral unit, elected five Deputies. The Kurds were thus fully represented at Angora, and, since Bekir Sami himself held a mandate from the Angora Assembly, he could himself claim legitimately to represent the Kurds as well as the Turks. Moreover, the Kurds had always proclaimed that they constituted an indivisible whole with Turkey: the two races were united by a common feeling, a common culture and a common religion.

It was true that after the armistice a few Kurds had asked for the separation of their country from Turkey, and that a small committee had been formed in Constantinople at the head of which were two Ottoman Senators, one of whom was Cherif Pasha.¹⁵ This committee had asked for the independence of Kurdistan, but its members in no way represented the populations for whom they claimed to speak, and [he] suggested that they were actuated by personal rather than national motives. In any case they were now completely disavowed even by the Constantinople Kurds. If the Supreme Council so desired, however, the Government of Angora would be quite prepared to accept the despatch to Kurdistan of a commission of enquiry or the holding of a plebiscite.

In addition, Bekir Sami stated that the new organic statute for the vilayets, which had recently been drafted by the Angora Assembly, recognised in certain cases the local autonomy of the vilayets.

None the less, if the population so desired, the Ottoman Government were prepared to accept the principle of local autonomy in favour of those regions where there was a predominantly Kurdish element, but the frontiers indicated

¹⁴ See No. 24, p. 198.

¹⁵ For Gen. Cherif Pasha's activities, see Vol. IV, No. 498, n. 6 and Vol. XIII, Nos. 33 and 34.

in article 62 of the Treaty of Peace did not correspond to the real ethnographical situation. In effect the western and southern portion of the Vilayets of Mamouret-ul-Aziz and of Diarbekir, particularly the Sanjak of Severek, were Turkish. Only in the Vilayet of Diarbekir, the Sanjak of Dersim (to the north-west) was Kurdish. The Kurdish population was particularly dense in the Vilayets of Bitlis, Van and in a portion of Mosul. The Kurds were superior in numbers above all in the district bordering upon Persia and in the north. On the other hand, the districts of Erbil, Altoun-Koupru and of Tas Hourmatto were inhabited by a Turkish majority.

LORD CURZON stated that he would like to ask Bekir Sami a question. The head of the Angora delegation had stated that the elections were held by sanjaks, and that each sanjak sent a delegate. He had also stated that with the exception of the Vilayets of Van and Bitlis, where the Kurds predominated, the two races were intermingled. Lord Curzon asked, therefore, if Bekir Sami Bey could say how many sanjaks had a Kurdish majority, and what was the number of the Kurdish Deputies who sat in the Angora Assembly. Finally, what was the proportion of these Kurdish Deputies to the total number of the Assembly.

Bekir Sami Bey replied that it was difficult to give exact figures. According to the electoral law the sanjaks could elect whom they liked, and any candidate could stand for any sanjak which he chose. He himself, for instance, although a Circassian, had been elected for a constituency which contained no Circassian population, and thus it came about that there were Turkish sanjaks which had elected Kurds and vice versa. As regards the proportion which the Kurdish Deputies bore to the whole Assembly, he could not give any exact figures, but he was convinced that the ratio was higher than that which existed between the Kurds as a race, and the Turks as a race.

LORD CURZON then referred to Bekir Sami's statement that the Ottoman Government would grant autonomy in the vilayets where the Kurdish population was predominant, and enquired what exactly he meant by this autonomy.

Bekir Sami Bey replied that this autonomy did not only apply to the Kurdish vilayets, but was also applicable to all the vilayets. It meant that the vilayets were allowed to decide their own budget and generally manage their own internal affairs. The system contemplated was, in fact, one of administrative decentralisation.

In reply to a further question from Lord Curzon, who indicated that this autonomy really amounted to little more than what was known in England as local self-government, and that no real concession was being made to the Kurds as Kurds, Bekir Sami Bey protested that the Kurds did not desire any such concession; all they desired was to live together with the Turks like brothers, as they had lived for centuries; there was no greater difference between the Kurds and the Turks than between an Englishman and a Scotchman.

LORD CURZON thanked Bekir Sami Bey for the information he had given, which would be communicated to the Supreme Council.

[b.] Armenia.

LORD CURZON suggested that the conference should now pass to a discussion of the Armenian question, and quoted articles 88 to 93 of the Treaty of Sèvres bearing on this matter. He added that, as regards Armenia, there had also been considerable changes owing to the march of events, and the actual position in that country was still somewhat obscure.

Irrespective of the fact whether any changes might be made in the dispositions of the treaty in so far as they affected Armenia, Lord Curzon desired to make it quite clear from the outset that there were certain principles which must be absolutely maintained. When the Treaty of Sèvres had been drawn up it had been decided that the western frontiers of Armenia should be left to the arbitration of President Wilson. The frontiers which the President had laid down included districts which were now to a great extent in the hands of the Turkish Nationalists. Moreover, as a result of the Nationalist invasion and the occupation of Kars and Alexandropol, the Government of Russian Armenia had, just before the Bolshevisation of the country, signed an agreement with the Kemalist Government. This treaty had, however, never been ratified, and had therefore no legal existence. It remained to make a new one.

Lord Curzon added that he desired to be quite explicit. He wished the Turkish delegation to understand clearly that Europe—that is, the Powers who had been victorious in the war—were solemnly pledged to create an independent State of Armenia. It was therefore quite impossible to conceive of any peace which did not provide for this independence and which did not give Armenia definite frontiers. Although he did not desire to discuss the details of such frontiers, yet it must be laid down at once that the Powers would not contemplate the creation of any Armenia which did not include the towns of Kars, Ardahan and Alexandropol. It was in the interests of Turkey herself to have on her borders a contented and independent Armenia. It might be found, indeed, that the frontiers defined by President Wilson were not feasible, but it was, in any case, certain that some independent Armenia must be created.

Bekir Sami Bey stated that his Government had every desire to see the creation of an independent Armenia in those regions where there existed an Armenian majority and where the independent State could logically be set up. They were anxious, moreover, to live in harmony with such an Armenia. As regards the treaty concluded with the Tashnak [Dashnak] Armenian Government, it was true that the treaty had not been ratified, but now that the Tashnakists had returned to power¹⁸ the Government of Angora were daily awaiting ratification. At the same time, Bekir Sami stated that he was glad to take note of Lord Curzon's declaration to the effect that a treaty which had not been ratified is not legally in existence. He trusted that this principle would be applied equally to the Treaty of Sèvres. He would further observe that when speaking of Kurdistan mention had been made of the Vilayets of

16 See n. 9 above.

17 See n. 8 above.

18 See n. 5 above.

Van and Bitlis, but if one was to consider these vilayets as Kurdish, where would Armenia come in? Armenia must be constituted on an ethnical basis, but even on the pre-war statistics it could not be seen how the Armenians could lay claim to territory in Turkey. Moreover, the town of Kars had a crushing Turkish majority; at Ardahan there were only 20 per cent. of Armenians, and the place was now Georgian; on the other hand, Alexandropol was an entirely Armenian town, and the Turks made no claim to it. In conclusion, Bekir Sami Bey expressed his readiness to accept a plebiscite as regards these three towns.

LORD CURZON intervened by saying that he must remind Bekir Sami Bey that he was, in fact, asking for territory which had not belonged to Turkey for fifty years or more, and that it was not thinkable that Turkey, who had not been victorious in the present war, should come out of it with an increase of territory.

Bekir Sami Bey replied that he based his claim to these districts on the doctrine of nationality, but that he was prepared to leave the decision in the hands of the Supreme Council.

LORD CURZON agreed that it was for the Supreme Council to decide on this matter, and that a scheme would be prepared which the Turkish delegation would be asked to agree to. At some later stage, perhaps, it might be possible to send out some mixed commission of enquiry, but for the present it was not desired to carry the matter beyond the preliminary stage. For the moment he desired only to make it quite clear to the Ottoman delegation that the Powers were absolutely determined that there must be an independent Armenia and an Armenia with wide enough dimensions and sufficient independence to secure its existence. Kars, Ardahan and Alexandropol must certainly be included in such an Armenia.

Bekir Sami Bey repeated that the Government of Angora were quite ready to recognise an independent Armenia capable of existing. Turkey and Armenia would have to be neighbours, and it was not the desire of the Turkish delegation to create the germs of discord from the outset. Bekir Sami Bey did not feel that any difficulties on this subject would arise between Turkey and the Allied Powers.

(The conference adjourned at 1.15)

2, Whitehall Gardens, S.W., February 26, 1921.

No. 27

I.C.P. 168] British Secretary's Notes of an Allied Conference held in Lancaster House, London, S.W. 1, on Tuesday, March 1, 1921, at 11.30 a.m.

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister (in the Chair); The Rt. Hon. the Earl Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; The Rt. Hon. A. Chamberlain, M.P., Chancellor of the Exchequer; The Rt. Hon.

Sir L. Worthington-Evans, Bt., M.P., Secretary of State for War; EXPERTS, The Rt. Hon. Lord D'Abernon, G.C.M.G., British Ambassador in Berlin; Sir John Bradbury, G.C.B., British Representative on Reparation Commission; Mr. Blackett, Treasury; Mr. Fass, Treasury; Mr. Kerr, Mr. Vansittart; SECRETARIES, Sir M. Hankey, G.C.B., Mr. Howorth, Major Caccia, Mr. Sylvester; INTERPRETER, Major Ottley.

France: M. Briand, M. Loucheur, M. Berthelot; experts, M. Laurent, M. Seydoux, M. Aron, M. Tannery, M. Avenol, M. de Felcourt; secretaries, M. Massigli, M. Chastenet, M. Brugère; interpreter, M. Godart.

Italy: Count Sforza, Signor Meda, Marquis della Torretta; EXPERTS, Comm. Giannini, Signor Galli; SECRETARIES, Signor Guariglia, Comm. Sigismondi.

Japan: Baron Hayashi, Mr. Kengo Mori; EXPERTS, Mr. Webuiki [? Debuchi], Mr. Sekiba, Mr. Arai; SECRETARY, Mr. Saito.

Belgium: M. Jaspar, Colonel Theunis; secretaries, Viscount Davignon, Viscount Terlinden.

INTERPRETER: M. Camerlynck.

GERMAN DELEGATES: Dr. Simons, Herr Bergmann, Herr Lewald, Herr von Le Suire, Dr. Schröder, Dr. von Simson, Dr. Sthamer; EXPERT, Dr. von Kauffmann; SECRETARY-GENERAL, Dr. Koepke; INTER-PRETERS, Dr. Brin[c]kmann, Dr. Illoh [Illich].

1. Reparation

Mr. Lloyd George said that the Allies had thought it advantageous to discuss with the German delegation various questions arising out of the execution of the Treaty of Versailles and to have this discussion face to face, and so renew the experiment which had been attended by a substantial degree of success at the conference held at Spa in the summer of 1920. The Allies had met together at Paris, and had there agreed on certain propositions respecting disarmament and reparation, which, after the conclusion of the Paris Conference, had been forwarded to the German Government. If it now suited the views and convenience of the German delegation, he would suggest that the question of reparation should be taken first. If the German delegation accepted this suggestion, the conference would then be glad to hear from Dr. Simons³ whether the German Government accepted the propositions laid down at Paris on the reparation question.

DR. Simons informed the conference that the German delegation welcomed the opportunity afforded them to treat by word of mouth with the Allied representatives on various questions which had been left unsettled at the Spa Conference. The German delegation willingly accepted the proposal that the question of reparation should be taken first.

¹ See Vol. VIII, Chap. VIII.

² See No. 12, minutes 1 and 3.

³ German Minister for Foreign Affairs.

MR. LLOYD GEORGE remarked that perhaps Dr. Simons would now give the conference the answer of the German Government to the Paris proposals.

DR. SIMONS said that, as the members of the conference had no doubt already seen in the public press, the German Government had come to the conclusion that it was not in a position to accept the reparation proposals of the Paris Conference in the form which had been communicated to it after that conference. At the same time, the German Government was ready and willing to set out its views on this subject and to lay its counter-proposals before the present conference.

He much regretted that it had not been possible for him to submit the German Government's counter-proposals at an earlier date, and explained that the German experts who had been exploring the position were of such an opinion as to the faculty of Germany to pay and to the modalities of payment that the Cabinet had found it necessary to end their deliberations by a decision of a rather political than technical character. This resolution of the German Cabinet had only been passed on Friday last and discussed with the party leaders of the Reichstag on Saturday, and the interval had been spent in formulating the counter-proposals, which were only finally settled last night.

The difficulty of the problem confronting the German Government lay in the apparent contradictions. On the one hand was the question of getting everything possible out of the country, which could only be achieved by raising German commerce to its highest pitch of efficiency. On the other hand, industry must be kept at such a level as to constitute little or no danger of competition with her neighbours. This double aim appeared to the German Government to have been considered at Paris, but the German Government were not of opinion that the end had been achieved by combining the system of fixed annuities and an export tax on German exports. He did not propose to enter at this stage into a detailed criticism of the proposals of the Allied Governments. The German experts had drafted two memoranda on the financial and economic aspects of those proposals, which he hoped shortly to be able to hand in to the conference. In reply to Mr. Lloyd George, Dr. Simons said that these two documents would be ready for circulation that morning. (For the text of these memoranda, see appendices 1 and 2.)5

Dr. Simons, continuing, informed the conference that the financial memorandum, in addition to being a criticism of the Paris proposals, contained the reply of the German experts to the report which had been presented by the Brussels experts to the Paris Conference.⁶ In many respects the memorandum of the German financial experts approved the proposals contained in the report of the Allied experts. At the same time, the German memorandum

4 The views of the German Government had been indicated in speeches delivered by Dr. Simons at Stuttgart on Feb. 13 and at Karlsruhe on Feb. 15 and 16. These speeches had been reported in *The Times* of Feb. 14 (p. 9), Feb. 17 (p. 10), and Feb. 18 (p. 10), respectively.

⁵ Not printed. English and German texts of both these memoranda are printed in the German White Book, Sammlung von Aktenstücken über die Verhandlungen auf der Konferenz zu London vom 1 bis 7 März, 1921 (Berlin, 1921), Nos. 3 and 4, pp. 28-83.

⁶ See No. 7, n. 3 (ii).

would be found to differ materially from the Allied experts' report in certain important particulars, and it seemed clear that the difficult questions connected with the whole financial situation in Germany could only be solved, if at all, by means of joint deliberations. The economic memorandum was a very short one, and he (Dr. Simons) wished to ask the conference to reflect that the sentiments it contained were the result of very careful thought on the part of the German economic experts. As regards the Paris proposals he would only say at the outset that, starting from similar premises, the German Government and the German experts had arrived at very different conclusions from those contained in the Paris proposals. Those proposals were based on a system which was designed to impose on the economic life of Germany for thirty-one years, after a preliminary period of eleven years, a minimum payment of 6 milliards of gold marks per annum. There could be no dispute that such a vast sum could only be extracted from Germany if Germany could succeed in obtaining a large surplus of exports over imports. It had been calculated that in order to provide 6 milliards of gold marks the total exports would have to amount to a figure several times as large as the annual surplus of exports over imports. Dr. Simons went on to point out that Germany was forced to import large quantities of raw material and foodstuffs, and that the amount of these imports was much increased on account of the loss of German territory, which in former days used to supply her with such raw material and food. As these imports of raw material and foodstuffs could only be paid for by exports, the German experts were of opinion that it would be necessary for Germany's exports to amount in any one year to four times the value of the annuity payable in that year. For example, if Germany had to pay an annuity of 6 milliards of gold marks, her exports would have to amount to at least 24 milliards in the year in question. Certain of the German experts had estimated the figure at a still higher point, but he did not desire to go into this question in detail at the moment; he would content himself with saying that a policy which forced up German exports to this extent would have dangerous consequences to the commerce of the whole world, inasmuch as Germany would be bound to enter into the keenest and most unprecedented competition in the world markets with her former trade competitors. Germany was quite willing to increase her exports by limiting home consumption, but it must be remembered that home consumption could only be limited to a certain extent without depriving the German people of the necessities of existence and endangering their capacity for production. The difficulties to which he had referred were much increased by the proposed 12 per cent. duty on exports, because in order to obtain this duty it would be necessary for Germany to force even still higher the volume of her exports. The 12 per cent. duty must either be borne by the consumers in the foreign country—in which case the price of the goods in that country would be raised—or Germany must pay the duty herself—in which case it was certain that in the long run the German nation would be unable to bear the financial burden involved. It seemed to the German Government that the Paris proposals had been mainly based

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on a peculiar view of the German export trade, which view assumed that the present abnormal condition of the German export industry would continue indefinitely. German industry was at the moment able to export owing to the fact that Germany was in a position to produce cheaply, but this condition of affairs could not last indefinitely. The present condition of German industry was not a healthy one, but was one whose bad symptoms could be directly attributed to the present state of the German currency. Every gardener was acquainted with the fact that a decaying fruit tree was able to produce fruit in large quantities just before it died. German industry might be regarded as in similar case, and it was quite possibly producing good results at the moment, though in point of fact it was about to collapse in a ruinous fashion. It required great confidence and optimism in the future restoration of the economic life of Germany, especially having regard to the facts stated in the two memoranda by the financial and economic experts, for the German Government to take the risk of putting counter-proposals to the Allies of the character which it was his duty to submit; but the German Government had decided to take that risk, because they felt confident that if the German nation could see the certainty of freeing itself by strong efforts during a definite time from its indefinite liabilities it would take steps to endeavour to the utmost to carry out loyally and faithfully any engagements which it might now enter into.

Mr. Chamberlain doubted whether the interpreters had correctly translated the final passage.

MR. LLOYD GEORGE said that he thought Dr. Simons's declaration was so important that he would be grateful if it could be repeated.

Dr. Simons said that, having regard to the present condition of Germany's industry, one must indeed be an optimist to make definite promises, in the face of the doubts expressed in the memoranda by the German financial and economic experts. But the German Government had, none the less, put forward definite figures, because they felt confident that the German people would be ready to work harder and submit to greater privations if they could foresee the possibility of freeing themselves from the indefinite liabilities of the peace treaty. But it would be undesirable that the agony be too long drawn out, or that the burden at the latter end be too heavy, for it was possible that this would result in the German nation not working so hard, because they could not hope to spare their sons and grandsons a financial burden too grievous for them to bear.

A system of annuities extending over a period of forty-two years must be considered to be economically unsound; for the reason that the present value of a sum of £100 due forty-two years hence and discounted at the prescribed rate of 8 per cent. merely represented a sum of not quite £4. Furthermore, the thought that after many decades Germany would be required to pay sums of money which to-day could not be realised, would offer no consolation to the taxpayers of the Allied countries, or to the inhabitants of the devastated areas.

For these reasons the German Government maintained that some other

system would have to be substituted for the proposed annuities. The German Government proposed, therefore, that the sum due as reparations should forthwith be fixed and that interest should be paid thereon as well as a redemption sum in the usual way.

The annuities proposed in Paris, discounted at 8 per cent. (the figure mentioned in Paris) amounts [sic] to a present value of little more than 50 billion gold marks on the basis of half-yearly payments, which figure is that generally given in the Allied press. In quoting this sum of 50 billions of gold marks, sufficient importance had, however, not been given to the payments already made by Germany and which should obviously be credited against the total debt for reparations. The value of the deliveries hitherto made by Germany had recently been calculated by the Reparations Commission.⁷ In his opinion, those calculations had not been made strictly in accordance with the provisions of article 235 of the peace treaty. But article 235 was in his opinion not applicable to the question of how much Germany had hitherto paid, delivered and ceded on reparations account. The article referred inter alia to certain items which were to be set off against the sum of 20 milliards of gold marks to be paid by Germany before the 1st May, 1921, items which did not represent Government payments, e.g., credits opened for foodstuffs and costs of occupation. On the other hand, there was no mention of other payments which had actually been made by the German Government, such as army materials, Empire and State properties, and colonies.

MR. LLOYD GEORGE, intervening, enquired what Dr. Simons meant by army materials.

Dr. Simons said that the term 'army materials' included all materials left behind by the German army when retreating beyond the Rhine and which could not be classified as war booty. For instance, food and stores. The German Government estimated the total value of all the deliveries hitherto made to represent the sum of over 20 milliard gold marks. This sum of 20 milliards deducted from the sum of 50 milliard gold marks above mentioned, left a balance of 30 milliard gold marks. This sum represented, in the opinion of all experts, the highest possible amount of Germany's paying capacity which any expert admitted.

In putting forward the figure of 20 milliards it was fully realised that the sum would have to be carefully considered by a joint committee of experts, since considerable difference existed between the German and Allied estimates about the value of German deliveries.

Next, the balance sums so calculated would have to be raised with the least possible delay by means of an international loan, Germany guaranteeing the payment of interest on the same as well as its redemption; in the opinion of German financial experts, it would be found impossible at the present moment to raise so large a sum in the markets of the world. Furthermore, in order to raise a loan of that magnitude it would become imperative to give it a privileged position—a step which would be fully justified by the character

⁷ For a note on this subject sent to the German Government by the Reparation Commission on Feb. 26, 1921, see Reparation Commission Report (1920-22), pp. 16-17.



of the loan; and the purpose for which the money was to be employed, namely, the reparation of the civil damages of the war, the reconstruction of the devastated areas and the freedom of the world from the tension which had so long been placed on it.

Under privileges, the German Government contemplated first and fore-most the complete exemption of the loan from all taxation in every country of issue. The German Government fully realised the many objections which would be raised to such a proposal by the Finance Minister of every country, since, firstly, moneys invested in such a loan, exempt from taxation, would yield no revenue to the State; and, secondly, moneys so invested would no longer be available for other State loans and would, by freedom from taxation, tend to depress their value. On the other hand, such objections could be controverted by the reflection that the improvement in the economic and political security of the world, due to the settlement of the reparations problem, would indirectly benefit the finances and the State loans of all countries. Moreover, the question of reparations having been once settled, one important item of expenditure, namely, that due to armaments, could forthwith be reduced.

Under the scheme above elucidated the German experts calculated that an international loan of up to 8 milliard gold marks could be raised in the markets of the world. And this sum, converted into francs at the present rate of exchange, would represent 30 milliard French francs. The German Government would guarantee the payment of the interest and the sinking fund on this supposed sum of 8 milliard gold marks, as well as the interest and the redemption charges on the remainder of the whole debt, namely, 22 milliard gold marks. Both the Treaty of Versailles and the Paris Agreement acknowledge the fact that Germany's capacity to pay during the first quinquennium (1921-26) would be small. In accordance herewith the German experts calculated that, apart from the service of the loan, I milliard gold marks represented the highest sum which Germany could be expected to raise annually during that period. In so far as this sum of 1 milliard gold marks (which he felt compelled to characterise as extremely optimistic) would be insufficient to meet the interest, the balance would accrue without compound interest up to 1026 and be added to capital account. At the end of the five-year period, in 1926, a new plan of mobilisation would have to be devised, and from that time onwards the annuities would necessarily be increased, since the German Government intended to redeem the whole debt in thirty years. Furthermore, during the transitional period of five years it would be necessary for the German Government to make a large part of the payments in kind, supplemented by labour; it being clearly understood, however, that the value of both this labour and deliveries should regularly be deducted from the annuities.

With these introductory remarks, he would ask the president of the conference to allow Herr von Simson⁸ to read the German counter-proposals. He would after that be prepared to give all necessary explanations.

8 A Director in the German Foreign Office.

MR. LLOYD GEORGE thought that no useful purpose would be served by reading out the German counter-proposals. The same could be handed in. But if the counter-proposals merely contained the detailed exposition of the statement made by Dr. Simons, in the view of the Allied representatives that statement showed such a lack of comprehension of the actualities of the case that they did not think it merited any discussion or examination. Therefore, the Allied representatives proposed to meet that afternoon to decide what course should be taken and another conference could be held tomorrow. He had expressed the unanimous views of the Allied representatives upon the exposition given by Dr. Simons.

DR. SIMONS said that he would, with the permission of the president of the conference, hand in copies of the counter-proposals and all statements connected therewith to the secretary-general of the conference (see Appendix 3).

(The proceedings then terminated.)

2, Whitehall Gardens, S.W., March 1, 1921.

APPENDIX 3 TO No. 27

German Proposals as to Reparation9

(A.J. 260.)

(Submitted by Dr. Simons at a Meeting at Lancaster House, on March 1, 1921)

Translation

The proposals approved by the Inter-Allied Conference of Paris on the 29th January, 1921, concerning the execution of the reparation provisions of the Treaty of Versailles are, in the opinion of the German Government, impossible of execution for economic and financial reasons, which have been explained at length in the memoranda presented to the London Conference. Germany is, however, prepared, in her counter-proposals, to go to the limit of the possibilities which would present themselves in case of material improvement of her economic capacity in the future. It is in this hope that the German Government finds it possible to draw up a schedule of payments on the following basis:—

(a) The present value of the forty-two annuities asked for by the Allies in their agreement of the 29th January if rediscounted at the rate of 8 per cent. per annum, which rate has been offered to Germany, would total something over 50 milliards of gold marks. A similar figure has been repeatedly mentioned in the Allied press. From this round sum of 50 milliards of gold marks is to be deducted the total of what has up till now been paid, ceded and delivered by Germany on reparation account. The value of these advance payments is estimated by Germany at about 20 milliards of gold marks. Any lesser deduction for the reparation so far made would necessitate payments the total of which would exceed anything which might be reasonably expected from the improvement of Germany's economic condition. In order to ascertain the exact value of all reparation so far made it would be best to appoint a special mixed commission of experts.

By deducting this value from the present value of the annuities demanded by

9 The German text of these proposals and this English translation are printed in the German White Book, op. cit., pp. 148-51.



the Paris agreement, as stated above, one arrives at the total amount of the payments which Germany has still to make. The latter amount should be raised as soon as possible by means of international loans. Since it will not be possible to raise the total amount or even the greater part of it in the near future by a single international loan, one should begin by financing a part of it. To that effect Germany proposes to issue a loan to the largest possible extent, say, up to 8 milliards of gold marks, which should be offered for subscription if possible in all international markets, and be exempt from taxes of any kind in all issuing countries.

The rate of interest to be paid for the loan should be as low as possible. The amortisation should begin after five years with 1 per cent., and rise to $1\frac{1}{2}$ per cent. per annum. Germany is prepared to grant to the holders of the loan the security necessary for the service of the loan.

Apart from the service of the loan Germany, for the next five years, undertakes to pay an annuity of 1 milliard of gold marks. This annuity shall, in the first place, be covered by deliveries in kind, which should be based as much as possible upon free intercourse between the German industries and the Allied parties interested. Germany furthermore expresses again her readiness to co-operate in the work of actual reconstruction of the devastated areas. The value of that work should likewise be accounted for against the annuities. The amount of the Reparation Debt of Germany not immediately covered by the international loan or otherwise shall carry interest at 5 per cent. per annum. Against that interest there shall be accounted for up to the 1st May, 1926, the five annuities of 1 milliard of gold marks each, mentioned above. The amount of interest which may remain uncovered in this manner shall be added to capital account on the 1st May, 1926, without calculation of compound interest.

All further provisions for the financing of the remaining Reparation Debt of Germany shall be reserved to future arrangements, especially as regards the amortisation, which shall not begin before the 1st May, 1926. As soon as possible additional instalments shall be financed by way of international loans.

- (b) The levy of 12 per cent. upon German export as provided for in the Paris Agreement is obviously meant to grant to the Allies a participation in any future improvement of Germany's economic condition. The underlying principle of giving the Allies a participation in the economic improvement of Germany is recognised as a sound one. This principle has even now been taken into full account, for the foregoing proposals are not based on the present capacity of Germany, but on an estimate which discounts any future improvement that may be reasonably expected.
- (c) All payments, cessions and deliveries still to be made by Germany, and provided for in Part VIII, section 1 and annexes, and in Part IX of the Treaty of Versailles are to be considered as made. The same applies to the delivery of the proceeds from destructed [sic] war materials (article 169), and to the obligation undertaken by Germany, in Part X, i.e., to submit to the liquidation and retention of German private property in the Allied countries. Her obligation to effect restitution by virtue of article 238 shall remain untouched.
- (d) It is understood by both parties that the condition provided for in article 431 of the Treaty of Versailles shall be considered as fulfilled as soon as all the payments defined under (a) shall have been made.

In offering the foregoing proposals it is understood:—

1. That the plebiscite in Upper Silesia shall decide in favour of Germany, and that consequently Upper Silesia shall remain with Germany.

2. That the commerce of the world shall be freed from the existing impediments, and that economic freedom and equality of rights shall be established throughout.

March 1, 1921.

No. 28

I.C.P. 169] British Secretary's Notes of an Allied Conference held at 10, Downing Street, London, S.W. 1, on Tuesday, March 1, 1921, at 4 p.m.

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister (in the Chair); The Rt. Hon. the Earl Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; The Rt. Hon. A. Chamberlain, M.P., Chancellor of the Exchequer; SECRETARIES, Sir M. Hankey, G.C.B., Mr. T. St. Quintin Hill, Mr. Kerr.

France: M. Briand, M. Loucheur, M. Berthelot; SECRETARIES, M. Massigli, M. Brugère.

Italy: Count Sforza, Signor Meda, Comm. Giannini.

Japan: Baron Hayashi, Mr. Kengo Mori; secretary, Mr. Saito.

Belgium: M. Jaspar, Colonel Theunis; secretary, Viscount Terlinden.

Interpreter: M. Camerlynck.

Mr. Lloyd George stated that it would be necessary for the conference to make up their minds to give a definite and final answer to the Germans to-morrow. It would not be enough simply to say 'No'; the Allies would have to say clearly what they proposed to do. This was his own view and also that of his colleagues. If the Germans had come to London with some proposals reasonably short of the Paris proposals (he had never expected them to come with a simple acceptance of the Paris proposals) it would have been possible for the conference to have discussed the new proposals with them. But the proposals which Dr. Simons had made¹ had staggered him. It was incredible that any man should think it worth while coming to London in order to make proposals of such a nature. He felt angry that the Germans should insult the conference by making such proposals. That was the feeling which he had had at the conference, and he was sure that everyone else had felt the same.

Would it be desirable to begin by inviting someone present to explain what exactly the German proposals meant? He could think of nobody more capable of doing this than M. Loucheur, who was in a position to give an explanation of his view of the German proposals. After the conference had heard M. Loucheur's explanation they would be able to consider what definite steps should be taken.

General agreement was expressed with Mr. Lloyd George's suggestion.

M. LOUCHEUR explained that the Germans had made a calculation of the fixed value of the annuities referred to in the decisions taken at the recent Paris conference. Briefly, what they had done was to capitalise the fixed

¹ See No. 27.

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annuity, brushing aside the variable annuity. They then said that, if the value of the forty-two annuities were rediscounted at the rate of 8 per cent. (which rate M. Loucheur incidentally considered to be an absurd one), the total would be 50 milliards of gold marks. The Germans then stated that from this sum of 50 milliards of gold marks there should be deducted the total of what had already been paid in reparation, which they estimated at 20 milliards of gold marks. The Germans therefore offered to pay in future a sum of 30 milliards of gold marks. But even this sum of 30 milliards of gold marks they did not offer to pay at once; they made a complicated calculation which brought the sum down to about 22 or 23 milliards. This calculation was made on a basis of 5 per cent. The total offered by the Germans should be contrasted with the figures agreed to by the Paris conference. If the computation were made at 5 per cent., and not at 8 per cent. (including the variable annuities), the total would be from 115 to 125 milliard gold marks. The German offer therefore amounted to one-quarter of the amount agreed to at Paris, and there were attached to it very important conditions. The matter had been fully gone into by Colonel Theunis, and M. Loucheur suggested that Colonel Theunis should make a statement.

Colonel Theunis stated that the Germans started with the fixed annuities, and discounted the total at the rate of 8 per cent. This resulted in a figure of 50 milliards of gold marks, which should in reality be 53 milliards. From this total they subtracted 20 milliards of gold marks, which they claimed to have paid in reparations already. This claim was an over-statement, and, as an example of the methods they had followed, Colonel Theunis referred to the valuation of the shipping which had already been handed over by Germany. This was assessed by the Germans at 7 milliards of gold marks, but its actual value was 600,000,000 gold marks. The Germans then subtracted and got a figure of 30 milliards as a remainder. They then suggested that 8 milliards of gold marks should be raised by means of a loan, for which they desired facilities to be granted, of a character which no Allied Treasury could agree to. In addition, they offered five annuities of 1 milliard gold marks, to be paid in the next five years, and, finally, twenty-five annuities of 1 milliard, 600 million gold marks, to begin in 1926.

If the grand total were added up, a figure of 22 milliard gold marks was reached, and, in order to understand how the reduction from 30 milliards to 22 milliards was effected, it should be explained that the Germans reduced the rate to 5 per cent. on the 22 milliards which they did not propose to pay immediately. And yet they rediscounted the annuities at a rate of 8 per cent. when this calculation was in their favour. Two or three more operations of this kind would result in nothing being left to pay.

Mr. Chamberlain enquired whether the annuities were computed at 5 per cent. simple interest.

COLONEL THEUNIS explained that the Germans asked for simple interest on the first five.

MR. LLOYD GEORGE remarked that he did not think it was worth while examining carefully the German proposals. What was wanted was a striking

figure, for instance, 22 milliards, showing the total which the Germans proposed they should pay, together with a simple explanation of how the Germans calculated at a rate of 8 per cent. when a high rate was in their favour, and at a rate of 5 per cent. when a high rate was against them. All he wished was to show the preposterous character of the German proposals. If anyone had anything to say on this he would be grateful.

M. Briand pointed out that not only were the proposals preposterous, but there were two very striking conditions attached to them.²

MR. LLOYD GEORGE enquired whether the Germans proposed that the money for the suggested loan should be raised on the Allied markets free of tax.

COLONEL THEUNIS said that this was so. The money would be raised free of tax on any market.

MR. LLOYD GEORGE remarked that when the British Government raised money for housing purposes, for instance, it was subject to income tax. The German proposal would make money raised for the German Government free of income tax. He thought it would be waste of time to consider the German proposals in further detail, and the conference would now have to determine what reply should be given to the Germans to-morrow. Referring to the conditions attached to the German proposals, Mr. Lloyd George added that the second condition meant that all German goods would have to be admitted into Allied countries free of duty.

M. Briand remarked that the Germans suggested that very little should be paid to the Allies, and that that little should be paid by means of borrowing on the Allied markets free of tax.

Mr. Lloyd George repeated that the German proposals were not worth considering in detail.

M. Briand stated that he had not been very surprised at the German proposals. He thought that Dr. Simons possessed a great deal of civic courage in that he was able to make such proposals, about the nature of which he could not be ignorant, since he was a clever man. Dr. Simons's Government was a weak one, and was being severely pressed by the pan-Germans. So much so that it was impossible for him to come to London with reasonable proposals. He was afraid of public opinion and afraid of the press in Germany. He would never be able to approach the Allies with proposals which the Allies could discuss. However much the Allies might beat about the bush, they would never get nearer to the production by the Germans of reasonable proposals. As long as the Allies refrained from using force they would have to face a German Government with which they could not deal. It would be necessary for the Allies to take drastic measures. He regretted this, but the more the Allies delayed the worse would the position become. It would be necessary to apply the sanctions referred to in Paris,3 if only the least drastic of these sanctions. Such a step would determine public opinion in Germany and would react on the German electorate, which had recently shown that it was not in favour of war. Action by the Allies would compel the German

² See No. 27, Appendix 3.

³ See No. 12, minute 6.

electors to put pressure on their Government to put forward reasonable proposals. This had been his opinion from the first, and he still adhered to it.

COUNT SFORZA stated that he quite understood the meaning of what M. Briand had just said. His suggestion was difficult and full of peril, but he thought it might be the only way. He hoped the conference would find a way through their difficulties without putting the Allies in the wrong in any way.

Mr. LLOYD GEORGE stated that he was in complete agreement with M. Briand's sentiments. He did not think that Dr. Simons was able to put forward acceptable proposals. He was not in a strong position. He had the great German industrials against him; he had not really got the working classes with him. He had temporarily attained a position by making speeches in Germany against the Allies.⁴ This had for the first time given him a position, a fact which showed that he had not the strength to come to the German people and say: 'These are your liabilities and you must face them.' Mr. Lloyd George did not see anyone else who would be able to do this. The German industrials were merely waiting for all these temporary Governments to fail, when they would set up a Government of their own, possibly a dummy monarchy. The Allies must take definite action and show that the Germans could not play this game with them, but must come to business. He had two or three proposals to make as to the line which should be taken by the Allies, but he wished to make this general statement first. Personally, he had the feeling that the less military action the Allies took the better it would be. Military action would hurt the Allies just as much as it would the Germans. It resulted in the feeling that a war was coming again. Trade and commerce were very timid, and would shrink once more into their dugouts. Any talk of mobilisation or marching into Germany or anything that looked like war would be the final blow to the confidence—poor and trembling as it was—that might appear in the spring.

The Allies must find an efficient means short of using their armies for coercing the Germans. He thought that they possessed it. He would put forward a suggestion, and he would like to tell Dr. Simons that the Allies would act on this suggestion.

Dr. Simons would not be able to do anything until the German industrials were frightened. Mr. Lloyd George was not sure that the German industrials would mind the occupation of a few German towns. He thought they would rather like it because the Allies would be pledged to keep order and would not allow any revolutionary movements among the workmen, and at the same time would guarantee the interests of the industrials from being unduly imperilled. But if the Allies threatened the great German industries he thought they would be able to force the hand of the industrials.

His proposal was that the Allies should say that they were prepared to carry a measure through their Parliaments by which any person who bought goods of German origin must pay one-half of the purchase money into the exchequer of his own country. His payment to the merchant, whoever he

⁴ See Vol. X, Nos. 239-43, and No. 27 above, n. 4.

might be, as long as the goods were of German origin, would be given in the form of an exchequer receipt for 50 per cent. of the value, the remainder of the value to be paid by the ordinary means current in Germany.

He did not know whether France purchased goods from Germany, but Great Britain was a purchaser of German goods and so was Italy. It was not a question of what the loss would be now. The Germans thought that in three or four years the imports would recommence. The proposal would mean that Germany would lose her markets in Great Britain, including the British Dominions and India (who had purchased very largely from Germany before the war), France, Italy, Belgium, Japan and the colonies of these countries, Jugoslavia, Czechoslovakia, Roumania, Greece and Poland, and even Constantinople and Smyrna (and consequently, for the present, Turkey). The only markets remaining to Germany would be Russia, which was of little use, Austria and Hungary, neither of which countries could purchase, and South America and the United States.

The German industrials would then be face to face with the alternative of accepting either the loss of half the purchase money of their goods or the loss of 70 to 80 per cent. of the markets of the world.

He would like to put this proposal forward at any rate as one of the measures which the Allied Governments contemplated. He believed that it would do more to force Germany to come to a decision than anything else which could be suggested. The German industrials would be forced to help their Government to carry out the Paris resolutions. They would say that this new measure was 'worse than Paris'.

Herr Stinnes⁵ and his friends would go to Dr. Simons and suggest that some way should be found out of the new situation, then for the first time the Allies would have the German Government doing business with them.

M. Jaspar⁶ asked whether Mr. Lloyd George had any other proposal.

MR. LLOYD GEORGE said that the Allies had agreed to four sanctions at Paris;7 these could be discussed. His present proposal did not exclude any others nor was it a substitute for the four Paris sanctions. It might be said that some countries had no German imports, but he maintained that his proposed measure was a valuable weapon. The United Kingdom, the British Dominions and India were great purchasers of German goods, and if the Allies could agree to a deduction of 50 per cent. of purchase money paid for German goods and place the resulting sum in a common pool he thought that they would have far more than they required for their indemnity.

Mr. Lloyd George said that he would like to mention the British aspect of the matter. In 1913, the year before the war, Great Britain had imported from Germany 80 million pounds' worth of goods, the present value of which would be between £150,000,000 and £200,000,000. If the British Empire as a whole was taken, the value of commodities imported from Germany in 1913 would be considerably in excess of £200,000,000. Trade with Germany

- ⁵ A prominent German industrialist, Herr Stinnes had been a member of the German delegation to the Conference of Spa.
 - 6 Belgian Minister for Foreign Affairs.

7 See No. 12, minute 6.

was reviving, and on the basis of the figures for the last quarter the value of commodities imported into Great Britain from Germany was at the rate of £44,000,000 a year. A deduction of 50 per cent. of this amount would be equivalent to a contribution of £22,000,000, which would be available for the reparation funds. He (Mr. Lloyd George) did not know, of course, what other countries would be able to do, but in his view the scheme which he had indicated to the conference was far and away the most effective contribution that Great Britain could make. So effective would the plan be when carried into operation that he felt confident that the German industrial interests would not dare to face it.

Count Sforza remarked that the Allies would have to be prepared for Germany saying that the practical effect of a measure of this kind would be very uncertain and unequal in actual working. He was quite in agreement with the view that an immediate answer must be given to the very inadequate proposals submitted by the German delegation, and that, if necessary, steps must be taken to compel Germany to pay what she ought to pay; but before any hasty step was taken it would be necessary to consider the general interests, not only of the Allies, but of the world at large. He was only in favour of using force in the last resort, and Mr. Lloyd George's proposal really involved a threat to use force in an indirect way. The general interests of the world were concerned with the question of reparations and the sanctions to be used to exact payment. The whole world was vitally interested in these matters, inasmuch as violent measures might upset the whole internal economy of civilised nations. Then the scheme had to be considered from the point of view of particular nations. What certainty was there that countries like Czechoslovakia would accept the scheme, and if such countries did not accept the scheme might they not benefit themselves by attracting the best German trade? Thirdly, he was obliged to consider the effect of the proposals from the Italian point of view. Italy was most anxious to reach some solution of the difficulties which would avoid recourse to arms. He himself had been in favour of the 12 per cent. export tax decided upon at the Paris Conference, but the Italian Parliament had received this part of the Paris proposals in a very lukewarm manner, and he (Count Sforza) was not at all sure that the Italian Parliament would approve a proposition which really involved a much more severe tax on German trade.

MR. LLOYD GEORGE replied that every solution known to him was open to some objection or other. Count Sforza appeared to share his (Mr. Lloyd George's) objection to entering into any military adventure or to undertaking any further occupation of German territory. It was because he (Mr. Lloyd George) felt that these solutions were open to such serious objection that he had submitted his own proposal to the conference. Count Sforza had said that possibly Czechoslovakia and Italy might refuse to join in the scheme. The answer would then be that neither Czechoslovakia nor Italy could hope to enjoy any benefits from the scheme. If the Italian Parliament declined to countenance either the use of military force or the imposition of economic pressure, such as he had suggested, then the Italian Parliament

must clearly realise that Italy would have to do without reparation, unless, indeed, she could arrange to persuade Dr. Simons to pay her voluntarily.

M. Briand wished the conference to understand that the French Government and the French delegation had no desire whatever to enter into any kind of military adventures. France had suffered too much from the war to want to increase the present world unrest. The recent debate in the French Chamber had clearly shown how unpopular any policy of adventure would be in France.8 This, however, was a matter in which it was necessary to take into account the psychology of nations and of individuals. He (M. Briand) reminded the conference of the efforts which had been made by way of conciliation to reach a satisfactory solution of the reparation problem. The Allied Powers had gone to the farthest possible limits in the matter of conciliation—at Boulogne, at Spa and at Brussels—and the result of all the careful investigation and discussion had been practically nil, inasmuch as the German proposals now before the conference offered the Allies less than the Germans had been prepared to offer at Brussels.9 This showed that the more the Allies discussed this question with the Germans the less they would be likely to get. In the view of the French delegation, the reason for this was that the Allies were dealing with a nation which only believed in and understood the use of force. The Germans were masters in all the arts of procrastination, and were under the impression that as the war and its miseries receded further and further into the past the Allies would gradually reduce their reparation demands until finally there would be an entire cancellation of German indebtedness. He was not going to refuse to consider the scheme submitted to the conference by Mr. Lloyd George, but he must point out the very serious objection to the scheme, which was that it could not be put into immediate effect. It would be necessary to prepare legislation and pass it through the various Allied Parliaments. All this meant considerable delay, whereas what was now wanted was recourse to some sanction which could be quickly and easily applied. There had been long and intricate discussions with the Germans, who were now receding from their former offers. Public opinion in France would certainly not accept the situation in which the Allies now found themselves, with Germany in a defiant mood, raising again her iron gauntlet. How was it possible for him (M. Briand) to return to France and discuss this new sanction when the conference at Paris had definitely agreed on the sanctions to be imposed in the event of Germany's default? Public opinion would come to the conclusion that the Germans had won the day and had succeeded by their craft and cunning in persuading the Allies to prepare a new sanction which, when the time came to impose it, might be brushed aside just as the previous sanctions were now being rejected. M. Briand reminded the conference that the adoption of Mr. Lloyd George's proposal would mean that those Germans who had been in favour of securing a solution by conciliation would have been defeated by the faction led by

⁸ Presumably a reference to the foreign affairs debate on Feb. 3-9; see J.O., Chambre: Débats, Jan.-March 1921, pp. 285-6, 312-26, 351-68, 400-29.

⁹ See No. 7, n. 3 (ii) and No. 10, n. 9.

Herr Stinnes. The extremists would be able to say that they were right and that the moderates had been wrong; that the Allies had never intended to employ the Paris sanctions, and that therefore it was safe for Germany to make the ridiculous and absurdly inadequate offer now before the conference. France would never be able to understand a situation of this kind. What was the alternative? He (M. Briand) had no intention of resuming the war; all that he pressed for was a measure of occupation of German territory. This need not be a warlike operation, and the occupation could be of a strictly limited character, confined, for instance, to seizing the key positions of the Westphalian coal and industrial districts. The occupation could be so quickly and easily carried out that its accomplishment might be arranged before the German delegates had returned to Berlin. A few battalions sent to Mannheim would bring Herr Stinnes quickly to his senses. Dr. Simons would then be able to cast the blame on the extremists whose policy had brought this fresh trouble on the German people. The conference should remember that that morning the Germans had before them the representatives of the nation whom they had so cruelly and foully abused in 1871. These were the same Germans who at Brest-Litovsk had threatened to break off negotiations and march on St. Petersburg.¹⁰ Dr. Simons knew the position, for he was one of the German delegates at Brest-Litovsk. The Germans had now come to London and had propounded this ridiculous reparation figure, no doubt with the intention of deriding the Allies and holding them up to the scorn of the world. By all means let the Allies consider any fresh sanctions, but let the sanctions to be imposed be such as would have immediate effect; such, for example, as the setting up of a customs barrier or the seizure of German State property. If an ordinary debtor was unable to pay his debts the creditor seized his property. Germany was now in the position of a debtor whining to his creditors about his inability to pay, a debtor who, after destroying mines and factories, private and public buildings and properties in France and Belgium, now urged that the countries who had suffered from his devastating hand should themselves pay for the damage they had sustained. He (M. Briand) could not retain office in these circumstances, and he must urge that, while Mr. Lloyd George's scheme should be given careful consideration, the conference should not abandon the other sanctions which had been devised at Paris to meet the situation which had now arisen.

MR. LLOYD GEORGE said that Count Sforza would now see that the alternative to his (Mr. Lloyd George's) proposal was the occupation of the Ruhr, which must assume the character of a military occupation whether the Germans resisted or not. M. Briand appeared to be under the impression that if France occupied the Ruhr Valley she could still extract her reparation money with little or no delay. This, in Mr. Lloyd George's view, was a mis-

¹⁰ A reference to the German Government's denunciation on Feb. 18, 1918, during peace negotiations with the Russian Soviet Government at Brest-Litovsk, of the armistice arranged in Dec. 1917. At the same time German forces invaded Esthonia, threatening Petrograd (St. Petersburg). A new German ultimatum was subsequently presented, embodying additional demands.

take. The most that M. Briand would get by his action would be to extract a promise to pay by the Germans. Even if M. Briand remained in occupation for a year he was not likely to get any substantial money payment. And then, did M. Briand contemplate the necessity of occupying these districts every time the Germans defaulted? If so, he (Mr. Lloyd George) must warn him that this was a proceeding which might be successfully carried out once or twice, but not oftener. M. Briand was going into a district inhabited by miners. We had miners in Great Britain; Belgium had miners; France had miners. The sympathy of all these men would be extended to their German fellow-workmen, and sooner or later the pressure of public opinion would prevent the French Government from a military occupation of the Ruhr Valley. It was quite true that his (Mr. Lloyd George's) scheme would not produce money until legislation had been passed through the various Parliaments; but no more would M. Briand's scheme produce money. As he had said, that scheme would merely be used in order to force the Germans to sign some promise which they might or might not be able or willing subsequently to perform. The Germans, under pressure, had signed the Treaty of Versailles. Were the Allies in a very much better position because they had the German signatures on that treaty? He (Mr. Lloyd George) would make M. Briand an offer. Let M. Briand occupy the Ruhr Valley as he proposed, and let him (Mr. Lloyd George) impose his economic weapon. At the end of a year he (Mr. Lloyd George) would undertake that he would have more cash than M. Briand as a result. Moreover, he would have to employ no army of occupation. Public opinion in France, in Belgium and in Italy might indeed say, in the first place, that at last the Allies were adopting a really firm and courageous policy. They were occupying places like Mannheim and Duisburg. Presently, however, when public opinion found that there was no money coming in, and, worse still, as the Chancellor of the Exchequer reminded him, more and more money was being paid out, people would assume a gloomy look and the Allies would appear extremely foolish. He was prepared to consider all sanctions on merits, and if he could find any sanction which would bring in money for rebuilding houses and factories he was quite prepared to enforce that sanction. But he did not want any more marching and counter-marching of armies. M. Briand had said that his scheme meant a delay of some months. This, however, was not so. To-morrow he would propose to say to Dr. Simons, or, rather, to Herr Stinnes through Dr. Simons, 'I will take half of the purchase-money on every German sale in an Allied country.' In present circumstances the necessary legislation could be passed through Parliament very rapidly and without opposition. It would strike terror into Herr Stinnes and the German extremists, and, although it might produce less joy in Paris than marching to Mannheim and the Ruhr Valley, he was confident it would be far more efficacious in the long run.

(At this point the conference adjourned for tea.)

MR. LLOYD GEORGE explained that the proposal which he had put forward had been intended merely as supplementary to the other proposals:

it had not been put forward as the one and only plan to be adopted. On the other hand he had been unable to gather which of the four sanctions, adopted in Paris, M. Briand now proposed to apply. He would, therefore, like M. Briand to elucidate that point.

M. Briand thought that he had not perhaps made himself correctly understood. The military operation which he contemplated as a penalty had been purposely restricted within the smallest limits. It was something that would cause the least sensation, but it would be found to be more efficacious, he thought, than any other more showy operation. First and foremost he wished most positively to state that his proposal did not include the occupation of the Ruhr Valley. This operation would, no doubt, be greatly favoured by many of his countrymen; but for reasons he did not wish to disclose, he personally was wholly opposed thereto. On the other hand, it would be easy to occupy Duisburg and Mannheim, an operation which could be carried out with a few battalions. Duisburg constituted, as it were, the tap for the outflow of the coal areas and once in the hands of the Allies the activities of Hugo Stinnes and other captains of industry could thereby be regulated; and as a result those great financial experts would very quickly discover all sorts of means to get rid of the control. The Allies would be surprised to know what enormous sums those captains of industry could produce. At the present moment they were able to obtain large sums of money to finance their economic developments.

His (M. Briand's) second proposal included the application of a custom and fiscal organisation for the territories situated on the left bank of the Rhine with a view to their exploitation. That scheme had already been carefully studied in Paris; it had been found that it would give material results in money besides creating excellent moral results. He (M. Briand) felt convinced that the two methods proposed by him, without excluding the proposition made by Mr. Lloyd George, would produce immediate moral effects and yield excellent financial results. He had succeeded in making the French Parliament accept the Paris proposals merely on the strength of the argument, repeated twenty times over, that if the Germans refused forthwith to accept the Allies' reparation and disarmament proposals, the Paris sanctions would at once be applied. In his opinion the application of the least of those sanctions would give the required results and military operations of a more serious nature would thereby be avoided.

Count Sforza said that he had one objection to offer. M. Briand would understand the spirit in which he would make his objection: he intended to speak as a Frenchman [sic]. But it was essential that the Allies, before taking action, should be entirely in the right. France now proposed forthwith to take action. Should Germany, however, appeal to the League of Nations on the ground that the Allies were violating the treaty of peace, since she was fully protected in regard to reparations until the 1st May next, what would be the position of the Allies?

M. Jaspar said that he would reply to Count Sforza's objection, which he understood was a legal one, in the following terms. According to Count It is possible that the word used by Count Sforza was 'franchement', i.e. 'frankly'.

Sforza the Germans would say: 'You are not adhering to the provisions of the treaty of peace. No action can be taken until the 1st May.' In reply to that he would say that the Allies had made every attempt to arrive at an agreement with Germany, and should the latter clearly show that she declined to do less than what was laid down in the treaty, it would prove that Germany did not intend to carry out her obligations. If Germany, therefore, refused to accept less than the amount due the Allies were entirely within their rights in applying the sanctions.

Mr. Lloyd George sincerely hoped that the Allies would be able to apply a better argument than the one just given by M. Jaspar. How could the Allies say that less was being asked of Germany? The Allies might think so; M. Briand, Count Sforza, he himself might say so: but what evidence had they for their statements? In accordance with the treaty of peace the Allies were entitled before the 1st May to submit their claims which would then be adjudicated by a tribunal, set up by themselves. Germany had a right to inspect those claims and she might be able to prove that they were too high. But the Allies could not at the present moment say that their claims represented something less than the real amount, as such action would constitute a travesty of all jurisprudence in the world. If it were possible for the Allies to show that the Germans had violated the treaty of peace in other respects, he trusted they would do so. But they could not show that the amount demanded was less than that to which they were entitled; they might think it was less, but the decision rested with the tribunal.

COUNT SFORZA agreed that the Allies might think that the amount claimed was less than their due, but they could not say so judicially.

MR. CHAMBERLAIN expressed the view that if the Germans said that the amount was not less, the argument suggested by M. Jaspar carried the matter no further.

M. LOUCHEUR said that the French delegation maintained that the Germans had violated the treaty in many other respects, and it had been proposed later to develop that argument.

MR. LLOYD GEORGE said that to-morrow morning or to-morrow afternoon the Allies were going to meet the Germans and say to them that their proposals were unacceptable, and, since the Treaty of Versailles had been broken, they proposed to apply the necessary sanctions. But, should it then be found that the Germans had not in reality violated any of the provisions of the treaty, the Allies would, by taking action, outrage what was left of civilisation. He (Mr. Lloyd George) had been under the impression that they had decided on Sunday¹² to consult their jurists in advance as to whether the treaty had been infringed.

M. Berthelot explained that on Sunday it had merely been suggested that experts should examine the question from the judicial point of view. The French expert, M. Fromageot, 13 would arrive in London that evening, and to-morrow morning the question could be discussed.

¹² Feb. 27. No record of this decision has been traced in Foreign Office archives.

¹³ Legal Adviser to the French Ministry of Foreign Affairs.

MR. LLOYD GEORGE enquired whether the experts could not meet to-night. Should the conference be postponed the Germans would be entitled to think that the Allies were hesitating. On the other hand it would be necessary to proceed in a regular manner, care being taken to make no breach in the Treaty of Versailles which constituted the Allies' charter.

M. Jaspar agreed that the maintenance of the treaty of peace, as Mr. Lloyd George had said, was of capital importance, and consequently the Allies should postpone seeing the Germans until their position had been made safe and sure.

COUNT SFORZA said that it did not fall within his province to talk about public opinion in France, and, whilst fully recognising the difficulties and responsibilities which weighed on M. Briand, he thought the latter would agree to the question being studied from a purely judicial point of view before any action could be taken.

M. LOUCHEUR suggested that the experts should meet that evening at 10 o'clock and be ready with their report to-morrow morning.

MR. LLOYD GEORGE thought that the programme to be carried out by the Allies required careful consideration. Everything they did would obviously be fully reported in Germany. What, then, would be the effect of postponing the meeting with the Germans until to-morrow evening? Should the Allies decide to-morrow to meet their financial experts, their jurists and their military advisers, it would undoubtedly show that the whole question had been very carefully examined. It would also give the Germans a little time for reflection, and a meeting with the Germans could then be held on Thursday morning.¹⁴ The Chancellor of the Exchequer (Mr. Chamberlain) had put into a form of a draft the proposals which he (Mr. Lloyd George) had previously made. That draft could be supplied that evening and would form the basis of discussion.

M. LOUCHEUR said that the French would likewise submit that evening the French proposals in regard to a line of custom-houses along the Rhine.

MR. LLOYD GEORGE desired to invite attention to the concluding sentence of M. Briand's last speech to the effect that the occupation of Duisburg would give an opportunity of occupying enemy territory and developing its resources. The British Government viewed with the utmost fear anything that looked like the effective occupation of a part of German territory. They were exceedingly alarmed at the thought of creating a new Alsace-Lorraine in Europe. The British had learnt from experience that the initial temporary occupation of a territory often resulted in a permanent occupation, however genuine and sincere their original intentions might have been.

M. Briand assured Mr. Lloyd George that he need have no apprehensions in that respect. The French would gladly welcome British co-operation and the occupation of the territories in question by an inter-Allied force.¹⁵

¹⁴ March 3.

¹⁵ Note in original: 'French text reads: "M. Briand replied that there was no question or annexation, that France had never thought of it, and that, besides, England would be with

MR. LLOYD GEORGE did not think that the British could undertake any further burdens of that kind.

M. LOUCHEUR proposed that the financial and judicial experts should meet at 10 o'clock to-morrow morning. The financial experts would be required, firstly, to prepare a paper to show the absurdity of the German proposals; this, he understood, had already been done. Secondly, to study the proposals made by Mr. Lloyd George; and, thirdly, to examine the French scheme of custom-houses along the Rhine.

LORD CURZON proposed that at the same time the jurists should examine the points on which Germany had broken the treaty.

MR. LLOYD GEORGE proposed that Marshal Foch, Sir Henry Wilson¹⁶ and the military experts should attend the conference of heads of Governments to-morrow at 12 noon, after the financial and judicial experts had submitted their reports. He wished again to lay stress on the fact that, in his opinion, the report of the jurists would be of vital importance, since evidence of a clear infringement of the treaty of peace would be necessary before sanctions could be applied.

LORD CURZON suggested that the jurists should meet in Mr. Halkin's [Malkin's]¹⁷ room at the Foreign Office, to-morrow morning at 10 o'clock, in order to examine very carefully and report whether any infringement, and if so, what infringement, of the treaty by Germany had occurred.

MR. CHAMBERLAIN suggested that the financial experts should meet in the Chancellor of the Exchequer's room to-morrow morning at 10 o'clock. He had prepared a paper (appendix) setting forth Mr. Lloyd George's proposals which would form the basis of discussion.

It was agreed:-

- (i) That the financial experts should meet in the Chancellor of the Exchequer's room at 10 o'clock to-morrow morning in order to criticise the German proposals, to study Mr. Lloyd George's paper (A.J. 262), and to examine the French scheme of custom-houses along the Rhine.
- (ii) That the judicial advisers should meet in Mr. Halkin's [sic] room at the Foreign Office at 10 o'clock to-morrow morning in order to report what, if any, infringements of the treaty by Germany had occurred.
- (iii) That the military advisers should attend the meeting of heads of Governments to be held at 12 noon.

2. Press Communiqué

Mr. Lloyd George thought that before adjourning, the text of the press communiqué should be considered. It would be generally known that Germany had that day put forward certain ludicrous proposals; and the public

her on the Rhine, because the administrative powers would be vested in the High Commission."'

- ¹⁶ Respectively President of the Allied Military Committee of Versailles, and Chief of the Imperial General Staff.
- 17 Assistant Legal Adviser to the Foreign Office.

would be anxious to know what the Allies intended to do. Taking these facts into consideration he thought that the press communiqué should state that the Allies would meet to-morrow to consult their military, judicial and economic advisers in order to arrive at a definite decision as to the action to be taken.

COUNT SFORZA suggested that no mention should be made of the economic advisers. The reason why the economic experts should be consulted would not be appreciated by the public, whereas the reasons for consulting the judicial and military experts were self-evident.

It was agreed to issue the following press communiqué:-

'The heads of the Allied delegation[s] met at 10, Downing Street this afternoon at 4 p.m. to consider the action which they proposed to take in consequence of the German counter-proposals on the subject of reparations.

'It was decided to consult the judicial and military advisers to-morrow with a view to inform the German delegation on Thursday as to the measures that the Allies propose to take.'

(The meeting then adjourned until Wednesday, March 2, at 12 noon.)

APPENDIX TO No. 28

Proposals by Mr. Lloyd George handed in to the Conference at 10, Downing Street, on March 1, 1921, at 4 p.m.

(A.J. 262.)

Each of the Allied Governments will take the steps necessary to provide that a proportion of the purchase price of any goods of German origin introduced into its territory shall be paid by the importer into the national Treasury.

The proportion will be fixed by each country at such figure as appears to it desirable.

The Government of the importing country will carry the sums thus received to the credit of its own reparation account.

The German seller will receive payment through the ordinary trade channels of the balance due to him by the purchase, but must look to the German Government to repay him in marks the proportion deducted by the Government of the importing country.

The Allies will invite the Governments of all other countries having reparation claims against Germany to co-operate in taking similar action.

March 1, 1921.

No. 29

I.C.P. 170] British Secretary's Notes of an Allied Conference held in St. James's Palace, London, S.W., on Wednesday, March 2, 1921, at 12 noon

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister (in the Chair); The Rt. Hon. A. Bonar Law, M.P., Lord Privy Seal; The Rt. Hon. the Earl Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; The Rt. Hon. A. Chamberlain,

M.P., Chancellor of the Exchequer; EXPERTS, The Rt. Hon. Lord D'Abernon, G.C.M.G., British Ambassador in Berlin; Sir John Bradbury, G.C.B., British Representative on Reparation Commission; Mr. Blackett, Treasury; Mr. Fass, Treasury; Mr. Kerr, Mr. Vansittart, Mr. Malkin; MILITARY EXPERTS, Field-Marshal Sir H. H. Wilson, Bt., G.C.B., D.S.O., Chief of the Imperial General Staff; Major-General Sir W. Thwaites, K.C.M.G., C.B., Director of Military Intelligence; SECRETARIES, Sir M. Hankey, G.C.B., Mr. T. St. Quintin Hill, Mr. Sylvester.

France: M. Briand, M. Loucheur, M. Berthelot, Count de Saint-Aulaire, M. Doumer; EXPERTS, M. Laurent, M. Aron, M. Tannery, M. de Felcourt, M. Fromageot, M. de Margerie; MILITARY EXPERTS, Marshal Foch, O.M., G.C.B., General Weygand, General Desticher [Desticker]; SECRETARIES, M. Massigli, M. Chastenet, M. Brugère.

Italy: Count Sforza, Signor de Martino, Signor Meda; EXPERTS, Comm. d'Amelio, Comm. Giannini, Signor Galli; MILITARY EXPERTS, General Marietti, Major Mazzolini.

Japan: Baron Hayashi, Mr. Nagai, Mr. Kengo Mori; EXPERTS, Mr. Debuchi, Mr. Saito; MILITARY EXPERTS, General Watanabe, General Itamy; SECRETARY, Mr. Yoshizawa.

Belgium: M. Jaspar, Colonel Theunis; EXPERT, M. Delacroix; MILITARY EXPERTS, General Maclinse [Maglinse], Colonel Tasnier; SECRETARIES, Viscount Davignon, Viscount Terlinden.

INTERPRETER: M. Camerlynck.

The Treaty of Versailles

MR. LLOYD GEORGE stated that yesterday the conference had appointed commissions to consider and report on the three following vital questions: -

- 1. (a) Had the Germans violated or failed to execute the Treaty of Versailles?
 - (b) If so, what were these violations or failures to execute, and whether the Allies were in a position to put into operation any of the sanctions?
- 2. A commission of financial experts had been invited to consider and report firstly on the financial effect of the German proposals, and secondly on the effect of the other proposals which had been submitted to the conference yesterday.
- 3. The experts had also been invited to advise on the three or four sanctions which had been indicated by the French delegation.

He thought that the best course would be for reports of each of the commissions to be heard by the conference and the heads of the delegations, then to retire and confer on the advice they had received from the experts.

General agreement was expressed with Mr. Lloyd George's suggestion. Mr. Lloyd George then invited M. Fromageot to report on the first question referred to above.

¹ See No. 28.

Report of Drafting Committee

M. Fromageot said that the commission appointed by the conference had sat to examine the two following questions:—

- 1. Had the Germans violated or failed to execute the Treaty of Versailles?
- 2. If so, what were those violations or failures to execute?

The commission had been rather pressed for time and had only examined the two principal questions, i.e., whether Germany had carried out part V of the Treaty of Versailles—the military and naval clauses—and part VIII of the treaty, the reparations clauses. The committee had drafted a note on the subject which he would read. A translation of the note is as follows:—

'The Drafting Committee have examined two of the principal parts of the Treaty of Peace of Versailles from the point of view of the execution by Germany of her obligations.

'These parts are: part V (military, naval and air clauses) and part VIII (reparation).

- 'I. As regards part V (military, naval and air clauses), information forwarded by the Allies in the joint proposition attached to their letter addressed on the 29th January, 1921, to the German delegation, shows that Germany has violated, or has not carried out, the clauses of the said part of the Treaty of Versailles. The German Government cannot claim the benefit, against the will of the Allies, of the postponement which the Allies in their proposition of the 29th January expressed themselves prepared to grant. The Allies would not, in fact, consider themselves bound by one part of the said propositions while Germany rejects the other, and they have full liberty to withdraw the concessions which would have been justified by the acceptance of the propositions as a whole.
- '2. As regards part VIII (reparations), in accordance with the terms of article 17 of annex 2 to part VIII, it is the duty of the Reparations Commission to report the failings committed by Germany in the matter of reparations. Information furnished shows the following facts among others:—
 - '(1) As regards article 235 (payment of 20 milliards) the account furnished by Germany on this subject exceeds 20 milliards, and is flatly contradictory to the Allied estimates (particularly the estimates made by the experts of Brussels).
 - '(2) Germany has not delivered the material required for reconstruction as obliged under annex 4.
 - '(3) The quantities of coal which Germany should have delivered up to the 21st January, 1921, in accordance with the Spa Agreement of the 16th July, 1920,³ and since the 31st January, 1921, in accordance with annex 5, part VIII of the treaty of peace, have been incompletely delivered. It is the duty of the Reparations Commission to verify the truth of these different facts, to say whether they constitute a violation or a non-execution of the treaty, and to notify the Allied Governments in the same way as in all cases of dereliction in a similar matter.

² See No. 12, n. 2.

³ See Vol. VIII, No. 77, Appendix 1 and n. 3.

'As regards the payment of the general debt of Germany, although it would be premature to speak before the 1st May next of a violation already committed, the refusal of Germany from now and on the eve of expiration to execute conditions inferior to those which would have resulted from the treaty, justifies an assumption that on the date of expiration the treaty itself will not be observed. Without going into the detail of the daily difficulties and delays made by Germany to the Allied Governments in the application of the clauses of the treaty, the above considerations justify the conclusion that Germany, in contradiction to the formal engagement expressed on the 28th June, 1918, at Versailles at the moment of signature of the treaty of peace, lacks the loyal observation of the treaty, and in particular in that which concerns the military, naval and air questions, that is to say, on particularly grave points, it is already established, as has often been the case, that she has not executed or that she had violated the stipulation.

HENRI FROMAGEOT, 'For the Drafting Committee.'

Mr. Lloyd George, interpellating during the translation of M. Fromageot's statement, enquired, in reference to the agreement of the 29th January, 1921, whether the experts really were of opinion that a breach had occurred. He doubted whether this was so unless French law was very different from English law.

M. Fromageot, in reply, explained that the rejection by Germany of that part of the agreement which concerns reparations implied, in the opinion of the legal experts, that the whole agreement was null and void, and that the Allies were therefore no longer bound by it in regard to military matters.

MR. LLOYD GEORGE asked whether article 235 of the Treaty of Versailles required Germany to pay such sums as the Reparation Commission might decide, and he then read the following words taken from the article: 'Germany shall pay in such instalments and in such manner (whether in gold, commodities, ships, securities or otherwise) as the Reparation Commission may fix.' It was therefore evident that payments from Germany depended on a decision of the Reparation Commission, and he desired to know whether the Reparation Commission had fixed the instalments in the manner provided by article 235 of that treaty.

M. Fromageot said that he was not in a position to answer this question.

M. Delacroix, in reply to Mr. Lloyd George, stated that the Reparation Commission had not fixed the instalments, although the commission had studied the question. The duty of the commission was to determine the method of payment. The commission had not yet been able to find a method, and had, therefore, not fixed the amount of the sums to be paid.

MR. LLOYD GEORGE said that he would like the question of coal to be considered. He wished to know whether the failure to deliver the quantities specified in the Spa Protocol (which failure amounted only to 800,000 tons out of a total of 12,000,000 tons) had not been condoned by the Reparation

4 Belgian delegate to the Reparation Commission.

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Commission. Had not the commission agreed to accept the delivery in the next few months of the quantities still in arrear?

M. Delacroix replied that certainly this was so.

M. LOUCHEUR remarked that the Germans had delivered 500,000 tons less than they were required to.5

MR. LLOYD GEORGE asked whether the Reparation Commission had considered this default.

M. Delacroix replied that the commission was on the point of considering the means by which the default could be made good.

MR. LLOYD GEORGE asked whether anyone else desired to put any further question to M. Fromageot.

No further questions being put to M. Fromageot, Mr. Lloyd George suggested that the report of the financial experts should be considered, and he asked Mr. Chamberlain to make a statement.

[Report of financial experts]

MR. CHAMBERLAIN stated that the financial experts had had referred to them three tasks.

The first task had been to frame a short declaration for publication which would expose the absurdity of the last German proposals. Such a declaration had been drawn up by the English and French experts, and had been agreed to by all the delegates, with one verbal alteration, which was of no consequence.

(The declaration in question is reproduced as an appendix to these minutes.)

Secondly, at the suggestion of the French representatives, the financial experts had discussed the proposal put forward by Mr. Lloyd George yesterday regarding the payment of 50 per cent. of the value of purchases from Germany into a common fund.⁶ Explanations of this proposal had been asked for, and enquiries had been made as to its object and method of application. Replies had been made on behalf of the British Government. No final decision had been taken by the financial experts, but he thought that he ought to say that the general sense of the meeting was not favourable to the proposal. The Italian representative seemed to think that it would be difficult to render the proposal acceptable to the Italian Parliament. The Japanese representative was opposed to the proposal, and could not pledge the support of his Government to it. The French and Belgian representatives, although not favourable to the proposal, were not so definitely hostile.

It was generally agreed that it would be useless to carry on the deliberations further at the moment.

An explanation had been given by the French representatives of a scheme which had been put forward by them on the previous day.⁷ There had been no time to discuss this scheme, and the conference of financial experts had

⁵ Note in original: 'French text reads: "M. Loucheur remarked that in February the Germans had delivered 500,000 tons less than they were required to."'

⁶ See No. 28, Appendix.

⁷ See No. 28, p. 234.

agreed to meet again that afternoon in order to consider the French proposals fully.

MR. LLOYD GEORGE enquired what was the general effect of the French proposals.

MR. CHAMBERLAIN replied that so far as he could see from a cursory examination the French proposals amounted to the economic and financial administration by the Allies of the occupied territories. His first impression was unfavourable to the proposals, and he thought personally that it was unlikely that the British Government could accept them, but he did not wish to prejudge the subject. The French proposals did not appear to offer a hopeful means of solving the difficulties which confronted the Allies. No report on these proposals had been agreed at the meeting of the financial experts, and he therefore thought that an opportunity should be given at the present meeting to his colleagues to make any observations they might wish.

MR. LLOYD GEORGE asked if any other member of the committee of financial experts wished to add anything.

M. DOUMER replied that the statement by Mr. Chamberlain was an accurate report of what had happened at the meeting of financial experts. In one particular, however, he desired to rectify that statement, and to make it clear that the French delegates were not opposed to Mr. Lloyd George's proposal, but only asked for explanations. These explanations had been given by Mr. Chamberlain. The French delegates were animated by a desire to come to an understanding.

As regards the customs scheme which had been put forward by the French delegates, this was only in draft, but as the principles of the scheme had been agreed to at Paris⁸ it would be easy to agree on the methods by which those principles should be carried out.

As regards the summary of the German proposals he presumed that the conference of financial experts would have an opportunity of considering it at their meeting this afternoon.

MR. LLOYD GEORGE asked Marshal Foch to make a statement.

Marshal Foch enquired what was the question on which his opinion was desired.

MR. LLOYD GEORGE replied that Marshal Foch had explained at Spa what the occupation of the Ruhr Valley would mean, and similarly he would like him now to explain the effect of the occupation of Duisburg and Mannheim, and the methods by which that occupation should be carried out.

M. Briand stated that it was only proposed to occupy Duisburg.

MR. LLOYD GEORGE agreed.

MARSHAL FOCH explained that the Duisburg operation would have as its objective the placing in Allied hands of the control of the coal passing by the Rhine, that is the greater part of the coal proceeding from the Ruhr Valley. Duisburg was the Gibraltar of the coal trade. It was also proposed to occupy Ruhrort, and these operations would be a complement to the occupation of the left bank of the Rhine, and would place in the power of the Allies both

⁸ See Art. 270 of the Treaty of Versailles.

9 See Vol. VIII, No. 71.

the control of coal going to South Germany and of that proceeding to the occupied areas, with a view, in the case of the latter areas, to ensuring sufficient supplies. The operations would not require any greater force than that which was at present being employed in occupying the Rhine provinces. They would merely be an extension of the present occupation. If Düsseldorf were not occupied all the traffic would proceed there, so that the occupation of Duisburg would be useless. The new occupation would only be an extension of the present occupation, and it would give greater security to the districts already occupied.

M. JASPAR enquired what would be the depth of the new area of occupation.

MARSHAL FOCH said it would be very small and would only amount to 6 or 8 kilom., i.e., a small bridgehead.

MR. LLOYD GEORGE asked whether any other military experts would like to make any additional remarks.

No military expert expressed a desire to add to Marshal Foch's statement. Marshal Foch said that he was doubtful whether his remarks had been sufficient. He wished it to be understood that if the conference contemplated a more extensive occupation he was ready to make a statement.

MR. LLOYD GEORGE suggested that this question might be discussed in the afternoon.

M. Briand referred to the forthcoming meeting of the financial experts, and was informed that the meeting would probably last for two hours.

MR. LLOYD GEORGE stated that he desired to suggest very respectfully to the legal experts that they should provide a rather better case than they had done so far. He did not quite like the case which had been made out so far in regard to infringements of the treaty.

M. FROMAGEOT replied that the legal experts would do their best.

MR. LLOYD GEORGE suggested that the Reparation Commission should be represented on the legal committee, since that committee could not decide if an infringement of the treaty had taken place without knowing what the Reparation Commission had done. He proposed that representatives of the Reparation Commission should be present at the meeting of the legal experts.

The conference agreed—

- 1. That M. Delacroix, Sir John Bradbury and M. d'Amelio¹⁰ should attend the meeting of the legal experts.
- 2. That a conference of the heads of the Allied delegations should be held the same day at 5 p.m., at 10, Downing Street.
- 2, Whitehall Gardens, S.W. 1, March 2, 1921.

¹⁰ Italian delegate to the Reparation Commission.

Appendix to No. 29

German Reparation Proposals: Declaration drafted by the Financial Experts

The German proposal for the satisfaction of Germany's liabilities under the treaty for reparation is that she should pay a sum of 30 milliard gold marks. This figure is arrived at in the following manner:—

The value of the fixed annuities payable under the Paris proposals is taken by the Germans on the 8 per cent. table at 50 milliard gold marks, which was the rate at which they were to be permitted to discount future annuities during the first two years only of the Paris scheme. The correct figure, however, is 33 milliard gold marks, the annuities being payable half-yearly.

The value of the variable annuity under the Paris Agreement, represented by the equivalent of 12 per cent. on Germany's exports is left out of account.

The German Government estimate the value of the deliveries already made under the treaty at 20 milliard gold marks. The estimate of the Reparation Commission amounts to less than half of that sum, and, moreover, these deliveries are on account of a number of obligations imposed by the treaty on the German Government of which reparation is one only. The amount to be credited to the German Government in the reparation account will be found to be very small. Nevertheless, the German Government arrive at this amount of 30 milliards, which is in their opinion the total payment which Germany has still to make, by deducting the 20 milliards from the 50 milliards. This calculation ignores the fact that the annuities payable under the Paris proposals are in addition to whatever may be found to have been paid already on account of reparation.

The German Government propose to provide the 50 milliards, which they take as the total extent of Germany's obligations, in the following manner:—

They propose to raise a loan of 8 milliards in the markets of the world, and that the loan should be free from taxation in the countries in which it is issued, thus placing the securities issued by them in a position to destroy any prospect of success for any Government or municipal issues, and in effect placing upon the country in which the loan is issued a large part of the burden.

Notwithstanding the fact that the German Government have used an 8 per cent. table for arriving at the figure of their liability, they propose that the loan should bear a rate of interest as low as possible. In addition to the service of the loan, which at 5 per cent. would involve an annual liability for interest, exclusive of any sinking fund provision which is not to commence for five years, of 400,000,000 gold marks, the German Government proposes that they shall pay an annuity of 1 milliard gold marks for the next five years to be provided in the first place out of deliveries in kind and labour in the devastated areas.

The difference between the 30 milliards and the 8 milliards is to bear interest at 5 per cent., but towards the interest are to be credited the five annuities of 1 milliard gold marks for the next five years. At the end of the five years the method of providing for the amount outstanding is to be reconsidered. In return for this offer, of which the present value taking the German basis of 8 per cent. amounts at most to some 27 milliards, the German Government demand that they shall be relieved of all further payments, deliveries or surrenders under the reparation and economic clauses of the treaty other than the restitution of stolen objects. Further, they demand that at the end of the five years the occupation of German territory shall cease, and the offer is conditional upon the plebiscite in Upper

Silesia resulting in favour of Germany and the freedom of German trade from all restrictions in the world's markets.

March 2, 1921.

No. 30

I.C.P. 171] British Secretary's Notes of an Allied Conference held at 10, Downing Street, London, S.W., on March 2, 1921, at 5 p.m.

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P. (in the Chair);
The Rt. Hon. A. Bonar Law, M.P., Lord Privy Seal; The Rt. Hon.
the Earl Curzon of Kedleston, K.G., Secretary of State for Foreign
Affairs; The Rt. Hon. A. Chamberlain, M.P., Chancellor of the
Exchequer; The Rt. Hon. Sir L. Worthington-Evans, Bt., M.P.,
Secretary of State for War; Mr. Kerr; SECRETARIES, Sir M. Hankey,
G.C.B., Major Caccia, Mr. T. St. Quintin Hill.

France: M. Briand, M. Doumer, M. Loucheur, M. Berthelot; secre-TARIES, M. Massigli, M. Brugère, M. Chastenet.

Italy: Count Sforza, Signor Meda; secretary, Signor Galli.

Japan: Baron Hayashi.

Belgium: M. Jaspar, Colonel Theunis; secretary, Viscount Terlinden.

Interpreter: M. Camerlynck.

1. Reparation: Infringements of the Treaty

Mr. Lloyd George expressed the view that although the various experts had not been able to arrive at an agreement amongst themselves in regard to sanctions, he thought it would be possible for the conference to come to some arrangements which would meet the views of all parties by blending together the various suggestions put forward. There remained, however, a matter which presented far greater difficulties, namely, the infractions of the Treaty of Versailles by the Germans, for in his opinion it would be impossible to enforce sanctions until a distinct breach of the treaty could be proved. He must confess that he personally did not feel very confident on that point. Presumably no infraction had occurred in regard to the supplies of coal. M. Delacroix had that morning showed quite clearly that nothing had arisen which would justify action being taken. Again, in regard to the payment of the 20 milliard gold marks, the Reparation Commission had as yet not laid down the conditions of payment, and no period had been fixed. The Germans could not, therefore, be said to be in default. Lastly, a suggestion had been made that the Germans had infringed the treaty in regard to disarmament, but it would be found that the Allies themselves had in Paris given the Germans time to complete their arrangements, and that time had not as yet expired. So far only one suggestion had been put forward, some-

¹ See No. 29.

what ingenuously, by M. Fromageot, namely, that the Paris Agreement must be considered as a whole, and the moment the Germans repudiated a part the whole would fall to the ground. Should that view be accepted, Germany had undoubtedly been guilty of an infraction of the treaty. But suppose, after sanctions had been applied, Germany should comply with the conditions of the Paris Agreement and put herself in complete conformity with the treaty, what would be the position of the Allies? Would it be necessary then to withdraw the customs officials and to cancel all other measures which might have been taken? That appeared to him to constitute a real difficulty. He did not wish to raise difficulties; on the contrary, he would welcome a way out. Unless a distinct infraction of the treaty by Germany could be proved, any action taken by the Allies would be interpreted as an attempt by the Allies to pick a quarrel without right on their side. He would be glad to hear the views of his colleagues on the whole subject.

M. Briand said that he did not share the views expressed by Mr. Lloyd George. He thought it would be extremely difficult, after all the attempts at reconciliation made by the Allies, for anyone in the whole world to say that the Allies were attempting to pick a quarrel with Germany. He preferred to take the view stated by M. Fromageot that morning, namely, that though some doubt might be expressed in regard to each item of the treaty taken separately, yet when the whole facts of the case were examined it would be a ground for presumption (if not a definite proof) that Germany had throughout resisted the enforcement of the treaty. For example, in regard to the payment of the sum of 20 milliards, had Germany put forward certain arguments dealing with the date of payments; had she asked merely for delay, or to discuss the exact amount of the balance still due, it might be possible to make out a case in her favour. But as a matter of fact Germany maintained that she had actually paid far more than was due, and instead of suggesting any payment she adduced such ludicrous figures as were not worth considering. Germany had said to the Allies: 'You say we have paid 8 milliards; we say we have paid 20 or even 23 milliards'; and to prove her statement she submitted utterly futile figures which the experts at Brussels had reported to be untenable. Therefore, in his opinion, either the case of the Allies must be considered to be utterly hopeless, or the sanctions should now be applied. M. Fromageot had that morning stated that the experts had not found time to examine all the clauses of the treaty; for instance, in regard to the war criminals. It would, however, be easy to prove that Germany had, in that connection, not conformed to the requirements of the treaty of peace, in accordance with which she should have delivered the guilty to the Allies. Germany had pleaded that such action would make difficulties for her Government and humiliate the country; and the Allies had agreed to permit the Germans to try the criminals themselves.² But Germany had not as yet attempted to do so. She argued, she delayed, and continued to apply all those dilatory methods which she had always favoured. Exactly the same remarks applied to the question of disarmament. After the Paris meeting the

² See Cmd. 1325 of 1921, No. 40; cf. Vol. VII, No. 3, minute 1, and No. 4, minute 1.

Germans had been told that the Allies had come to an irrevocable decision in regard to disarmament and reparations, but so far in Bayaria nothing had been done to disarm, their object clearly being to disunite the Allies. The German papers had cynically stated that the Allies would never agree on the application of sanctions, and Germany could therefore do what she liked. Therefore, in view of the attitude which Germany had dared to take at the London Conference, he thought that, unless a decision forthwith to act were taken, no sanction could ever afterwards be applied, and Germany would thereby merely be encouraged in her defiant attitude. A careful review of the position as a whole would clearly show that the obvious determination of Germany was to evade the treaty. That was the view expressed by M. Fromageot, in regard to whom he wished to say that it would be difficult to find a more scrupulous and conscientious man. He felt sure that, however great M. Fromageot's desire might be to express the views of his Government, he would never allow himself to give a legal opinion in conflict with his own judgment. He (M. Briand) could see Mr. Lloyd George's eyes sparkling with mirth at what he was saying. He would not dispute that the consciences of jurists were often elastic, but M. Fromageot's was made of very hard rubber. Therefore, taking the action of the Germans as a whole, it would be impossible for anyone in the world to criticise the action of the Allies or to consider that they were exceeding their rights should sanctions forthwith be applied.

Count Sforza expressed the view that no action could be taken in regard to the military clauses, for the reason that the clauses bearing on sanctions in the Spa Agreement had never been accepted by Germany. Next, in regard to the question of reparation, he held the view that the Reparation Commission constituted the only competent body to take notice of any possible breaches. He thought it would be in the interest of the Allies to have public opinion on their side before any action was taken. Therefore, should action now be taken on the advice of the judicial experts, including M. Fromageot, the Allies would run the risk of losing the support of the public opinion of the world, and especially of America. He was therefore of opinion that the only prudent course to follow would be to act strictly in accordance with the provisions of the treaty of peace and to postpone taking any action until the limit set by the treaty had been reached. In that connection he would invite attention to the occurrences which were now taking place at the Savoy Hotel, where the Germans refused to receive the newspaper correspondents of any of the Allied countries; they only received neutrals, to whom they said that the Allies intended to tear up the treaty. Therefore, if for the sake of a few weeks' delay severe sanctions were to be applied, the Allies would thereby put themselves in the wrong. He would earnestly entreat the conference to stand by the treaty, whilst making it quite clear that sanctions would, if necessary, in due course be applied. He fully realised that it would be easier to bring the public of Great Britain, Italy and Belgium to accept this point of view, and that greater difficulties might be found in France, for the reason that the devastated areas appealed to the sentiments of her people,

even though the financial position of Italy might be said to be in a far more dangerous situation than that of France. But, taking every fact into consideration, he thought it would be better to accept a few months' delay in order to have a strong and unimpeachable case, rather than to act to-day.

BARON HAYASHI agreed with Count Sforza that prudence would be the wiser course to follow. He felt inclined, therefore, to support Count Sforza's contention.

M. JASPAR said that he fully realised the scruples that troubled the conscience of Mr. Lloyd George in regard to the application of the treaty of peace concerning the reparations question. He fully agreed that, in order to satisfy public opinion, the legal grounds for action would have to be well chosen. If these preoccupations existed it was because, in applying the sanctions, public opinion should not be led astray and that [sic] the Allies should stand within their rights. A new fact, however, has occurred which had most impressed the public opinion of to-day was undoubtedly the proposals put forward yesterday by the Germans.3 In Belgium those proposals had produced a violent reaction. He personally had never favoured the application of immediate and violent measures. He had throughout believed in moderation. He had even favoured discussions with the Germans; but he thought that it would be very difficult to-day to justify further delay or procrastination in the eyes of public opinion. Next, as regards the legal position, he drew attention to the three following points: First, he favoured the suggestion put forward by M. Briand, that a statement should be drawn up to show the attitude invariably taken up by Germany in regard to the application of the treaty of peace. He felt confident that such a list, if carefully drawn up, would prove to the world that Germany had throughout attempted to evade her obligations. To cite only two cases, namely, disarmament and coal, it would be in the recollection of the conference that ultimatums had to be delivered to the Germans at Spa in order to obtain compliance with the rights of the Allies.4 Furthermore, in his opinion, the Spa Protocol and the Paris Agreement constituted an indivisible whole. It would be evident that if at Spa the Allies had allowed Germany a delay for the completion of her disarmament, it had been done on the clear understanding that Germany would without question execute the remaining clauses of the treaty. Nevertheless, Germany had not as yet complied with the conditions in regard to disarmament, and the Allies were therefore justified in saying that Germany had infringed the treaty, and sanctions could forthwith be applied. That was the view taken at Paris, when the conference agreed to apply sanctions for the execution of the whole, which was also backed by him. Lastly, this is, in his mind, the principal point: the Germans seem not in the least to want to fulfil the obligations of the peace treaty. He quite agreed that the Treaty of Versailles laid down that the Reparation Commission should report on the 1st May and that procedure would, no doubt, have been followed had not the intentions of the Germans in regard to the non-fulfilment

- 3 The text of this sentence is printed as in the original.
- 4 See Vol. VIII, Nos. 51-52, 74 and 78.

of that part of the treaty already been made quite clear. No one could doubt that Germany had no intention of executing the treaty, after what had been said yesterday, and, should action be delayed, the Allies would merely be playing the game of Germany. Therefore, should the conference decide to refer the solution of the question to the Reparation Commission, who would merely in due course report that the Germans had defaulted, the public opinion of the world would agree that the Allies had bowed to the intentions of Germany to evade the treaty. These facts alone, he thought, constituted sufficient legal grounds for taking immediate and strong action.

Mr. Lloyd George said that when he had suggested that the case as presented that morning by M. Fromageot had not been strong enough, he had not intended to draw the inference that no action should be taken. He had intended merely to draw out the views of his colleagues as to whether they had the recollection of other infringements of the treaty which would make the case of the Allies more presentable. He fully agreed that Dr. Simons's statement yesterday had completely altered the whole situation. After that statement it would not be possible for the Allies to say that they could not accept the proposals and that they would refer the question back to the Reparation Commission, who would send in their claims and give the Germans two or three months to consider them, and that at the end of July or August the necessary steps would be taken to enforce them. It was obvious that it would be quite impossible to follow that procedure. If there had been no infractions by Germany it might have been unavoidable to do so, for it was quite inadmissible for the Allies to begin to upset the Treaty of Versailles. That, however, was not the case. Germany had undoubtedly infringed the Treaty of Versailles, and the Allies had constantly made allowances to help them in their difficulties. Extensions of time had been granted, additions to the forces had been permitted, additions to armaments, and so forth. Had the Germans met the Allies in the spirit in which the latter had met them, it would undoubtedly have been a mistake for the Allies to make any threats to-morrow. But M. Briand had mentioned one case of infringement, namely, the trial of war criminals. In that connection he wished to associate himself with the remarks made in regard to M. Fromageot. He knew no more high-minded man, or more capable servant of the State, than M. Fromageot. Germany had undoubtedly behaved exceedingly badly in regard to war criminals. The Allies had constantly given in; they had allowed the Germans to try the criminals themselves; they had supplied them with all the information required; but so far no action had been taken to bring the accused to trial. That constituted an undoubted infraction. If to-morrow the Allies should say to the Germans that they would refer the whole question back to the Reparation Commission, Germany would laugh, and he feared it would mean—he hardly liked to use the expression, as perhaps it might be considered too strong—that the treaty would be dead. He considered Dr. Simons's proposals constituted an undoubted challenge. His proposals could not be taken apart from the speeches which he had made in

Germany. He (Mr. Lloyd George) had that day reread those speeches. Dr. Simons had clearly stated that he did not accept Germany's responsibility for the war. He (Mr. Lloyd George) thought that if that view were accepted the whole basis of the Treaty of Versailles would disappear. There existed no basis for that treaty except Germany's responsibility. But the whole of the German press had supported the view expressed by Dr. Simons, and, if correctly interpreted, it would mean that since Germany was not responsible she would not pay. If that were the temperament of German public opinion, it would be no good arguing with it. It meant that Germany intended to pay only as much as she would be forced to pay, and that she had no intention to apply her mind to liquidating her debts; that the whole of her ingenuity would be employed to get out of her difficulties as best she could. Therefore, with this challenge thrown out, unless strong action were taken the Treaty of Versailles would become merely a scrap of paper. It remained, therefore, merely to decide what the Germans should be told to-morrow. He fully admitted that the refusal to accept the Paris terms did not in fact constitute an infringement of the treaty of peace. The latter could merely be considered as a proposal in anticipation of judgment, and an offer before trial did not constitute a refusal to accept judgment. He thought, therefore, it would be necessary to say that Germany had broken the treaty over the war criminals, over the payment of the 20 milliards, and over disarmament. It would be within the recollection of his colleagues that in Paris, he (Mr. Lloyd George) had refused to agree to any proposal about disarmament until an agreement had been reached in regard to reparation.⁵ The French Government, on the other hand, had wished to treat the two separately. The British Government had thought it necessary to treat the two together, and the Belgian and Italian representatives had agreed with the British view. In the one case Germany had been granted a relaxation; in the other case some doubt might be expressed as to whether it in fact constituted a relaxation. Germany, however, could not be permitted to say that she would take the part that suited her and abandon the rest. He thought, therefore, that the Allies should tell the Germans quite frankly that if they had given any indication that they were doing their best to carry out the treaty in regard to reparation no action would have been taken on the infringements of the treaty, but her action in regard to reparation clearly proved that she had no intention loyally to accept the treaty; therefore the Allies intended to take her at her word, that is, to judge her according to her actions, and they would be bound to take definite, clear and firm action unless they desired to make themselves absurd not only in the eyes of the Allied and neutral peoples, but also in the eyes of the German public. He fully admitted that from a technical point of view the Allies' case might be considered to be weak, but the realities were sound. He fully believed that the question of war criminals put the Allies technically in the right. He sincerely trusted, therefore, that the Allies would be able to act together, because if they were not all agreed the results would be disastrous in regard to future dealings with Germany. He begged his 5 See No. 2.

colleagues to take the realities and the substance, and to treat Germany's action as an attempt to get out of the Treaty of Versailles.

Mr. Lloyd George enquired whether, under the circumstances, Count Sforza would not agree that in substance and reality the Germans had infringed the treaty, and whether the Allies should not therefore consider that an infringement had taken place.

COUNT SFORZA replied that this was certainly so. What he desired was to see the decisions that might be taken as a whole. Nobody desired more than he that the conference should reach unanimity.

BARON HAYASHI remarked that he was entirely in agreement with Mr. Lloyd George.

MR. LLOYD GEORGE said that the conference would now have to consider the much more difficult question of the proposals to be put before the Germans. He thought it might facilitate matters if he were to indicate what he would like to say to the Germans. He would like to tell them that they had broken the treaty; that the Allies would not have taken strong action if the Germans had really shown that they wished to meet the Allies in the matter of reparations, but the reparation proposals of the Germans made it clear that they were merely trying to evade the treaty. As a result the Allies were faced with a serious situation, and it was necessary to demonstrate that they would not allow the Versailles Treaty to become a 'dead letter.'

It would also be necessary, he thought, to indicate clearly the sanctions which the Allies proposed to enforce. He would like, personally, to indicate that the Allies proposed to occupy Duisburg, Ruhrort and Düsseldorf; that they proposed to take powers to intercept in their own countries part of the purchase money paid for German goods. He proposed later on, at the present conference, to point out why the Allies could only put forward these sanctions as a whole, and not merely parts of them.

It was essential that the Allies should make themselves as disagreeable as possible, to use a phrase employed by Colonel Theunis to the Financial Experts Committee, and show the Germans that they could enforce these sanctions, and meant to do so. He did not believe that occupation alone would fulfil the purpose in view. He had had reported to him a private conversation in which Herr Stinnes had expressed the view that the Allies should be permitted to occupy as much of Germany as they wished to. Herr Stinnes had said that this course would only get the Allies into trouble, and he claimed that he had urged the German Government to take this line at Spa. Herr Stinnes had expressed the view that the Allies should certainly be allowed to occupy the Ruhr district. What, therefore, was wanted was something that would make Herr Stinnes unhappy. He thought that the threat to take powers to intercept a proportion of the purchase money of German goods was one which would have this effect. There were certain articles which the Allies would have to buy from Germany. In the case of these articles, it would not be necessary for them to intercept the purchase money. There were certain other articles which the Allies could do without. In the case of these there should be a heavy intercept.

The third sanction which he would like to refer to when they met the Germans was the proposal to hold the custom-houses on the Rhine. He personally did not very much like this proposal as he was not in favour of the exploitation of the occupied territories, which also involved taking the responsibility for the administration. This was too like annexation, but he agreed it was possible to occupy the custom-houses on the Rhine.

He thought that mere occupation of German towns was futile; it would not force German public opinion into acceptance of the Allies' terms; but if the three sanctions referred to above were used, each of them would hit a different class, and between them the result would be that the whole of Germany would come forward and admit that this was something they could not face.

M. Briand expressed his entire agreement with Mr. Lloyd George's view. Count Sforza enquired what the position would be if by chance, in spite of the good-will of all those present at the conference, there was one Parliament which was unwilling to legislate in order to enforce the second sanction.

MR. LLOYD GEORGE replied that the country in question would not get its money from Germany.

COUNT SFORZA expressed a doubt as to whether the consequences were so clear. Germany was trying to divert her trade into different channels and to change the direction of her commerce. If one of the Allied Parliaments refused to pass the necessary legislation, there would no longer be a united Europe. Any country which did not agree to legislate would become a new channel for German trade. Moreover, it would retain its old rights to indemnity under the treaty.

Mr. Lloyd George maintained that such a country would not obtain any cash. The Allies knew of no other way of enforcing their rights. It was of no use to have rights if it was impossible to get their cash equivalent. This particular method was one of getting cash; it was like taking a cheque to the bank.

M. Jaspar stated that it was most desirable that this particular sanction should be enforced by all the Allies, but, even if a Parliament refused to accept it, the desired effect would have already been produced in Germany. The question of the action to be taken in any particular country, the Parliament of which refused to legislate, might be left for consideration until it arose. Meanwhile, he thought that the necessary effect on German public opinion would have been produced.

MR. LLOYD GEORGE stated that the Allies did not wish to bully Germany. They wanted money, and every means of obtaining reparation should be taken. He wished himself that it were possible for France and Belgium, especially France, to take more from Germany in the way of labour and materials. This was the only point in which he was in agreement with M. Poincaré. If some of the Allies got their money by intercepting German purchase money, and others got it by taking labour and materials, he believed

⁶ Senator for the Meuse and former President of the French Republic. M. Poincaré had resigned the chairmanship of the Reparation Commission in May 1920.

that by one means or the other the Allies would get their indemnity, and that was what they were after.

M. Briand expressed complete agreement. He said that no doubt Germany thought there was disunion among the Allies, but when German opinion realised that the Allies were firm, and knew the sanctions which the Allies intended to enforce, then he thought the German people would change and an entirely new situation would arise. They would turn to their Government and say: 'This is where you have led us.' Perhaps the difficulties in the sanctions which had been referred to by Count Sforza would not arise. Perhaps it would not be necessary to push legislation through the Allied Parliaments, but it would be found possible to entrust the question to a commission, which could spend some time on it. This would give time for the Allies to mark the effect of their proposals on German public opinion.

M. Briand then enquired when the Germans should be summoned to hear the Allies' reply.

MR. LLOYD GEORGE suggested that the meeting should take place at 12 noon the next day, the 3rd March.

He added that there was an important question to which his attention had been drawn by Mr. Chamberlain. Was he to say to the Germans that the Allies proposed to take these steps immediately, or was he to say that they would act unless the Germans modified their attitude within seven days? He thought it would be necessary to say that, unless in so many days the Germans accepted the Paris proposals, such and such consequences would follow, but an indication should also be given that the Allies were prepared to discuss questions, such as the annuities for forty-two years. There was a good deal in what the Germans had said on this subject. Nobody wished to keep Europe in a state of tension for forty-two years, and an indication should be given that if the Germans had come forward with reasonable counter-proposals on this point, or with a counter-proposal as to the method of payment, the Allies would have been prepared to listen to them. This point he wished to make clear to-morrow. There was also the question of export duty, which was not a rigid duty which the Allies proposed to levy, but was an index number by which they would be able to test the prosperity of Germany, and which would show the method of computation of the indemnity from year to year.

COUNT SFORZA stated that what Mr. Chamberlain proposed would be to give the Germans a kind of intimacy with the Allies. The proposal meant that the Germans should be asked to bring forward sensible proposals, and not the nonsense which they had so far put forward.

M. Briand stated that the Allies would lose the advantage of their position if they gave a hint that they were prepared to reconsider their decisions. It was most important to tell the Germans that if in seven days they had not modified their attitude these were the sanctions which would be enforced.

No doubt it would be possible to enter into discussions after the Germans had yielded, but, unless it was desired to spoil the effect of the answer to the Germans, no indication of yielding should be given.

Mr. Lloyd George replied that he agreed with M. Briand, but he thought that an indication should be given that the Allies would be prepared to discuss the question of the forty-two annuities and the 12 per cent. tax.

M. Jaspar said that some indication should be given that the Allies would be ready to discuss the two questions of the forty-two annuities and the 12 per cent. export tax. It was important to avoid giving the impression that the Allies had asked the Germans to come to London simply in order to impose a decision on them. Care should be taken also in regard to the use of the term 'modify.' If the Germans were only told that if they modified their proposals the Allies would be prepared to reconsider their position, the Germans would immediately offer 30 or 35 milliards instead of 22, and would then claim they had modified their position. Such a modification could not be accepted by the Allies. He suggested they should be informed that, whereas the Allies were quite willing to discuss the manner in which the Paris propositions should be enforced, they (the Germans) were apparently not prepared to accept any discussion at all.

MR. LLOYD GEORGE asked what length of time should be allowed to the Germans.

M. LOUCHEUR urged that the period should be five days.

Count Sforza stated that he would like to explain a point which was important to him and to his country. He would like to say why his attitude was so moderate and why he feared for the future, both for Italy and for the whole of Europe. One of the reasons why he would like more moderate proposals was that, if an industrial crisis arose in Europe, the Italian exchange would fall, and the result would be a disaster in Italy. Secondly, the Italians had no coal. If the Spa Agreement became non-effective, France and Belgium would be particularly injured, but for Italy the consequences would be disastrous.

M. LOUCHEUR remarked that they would also be disastrous for France.

COUNT SFORZA, continuing, stated that he would like to feel certain that the threat of Allied sanctions would alter the attitude of Germany. He would be ready to agree to sanctions ten times more drastic if he could feel this, but he had doubts, both as regards Germany and the whole of Europe, especially his own country. If, however, the rest of the conference were confident that the sanctions proposed were satisfactory, he would not resist.

M. JASPAR remarked that a week was too long a period to allow the Germans, and suggested that they should be given until the following Monday.

MR. LLOYD GEORGE pointed out that they would require time for communication with the German Government.

M. Briand suggested that next Monday, the 7th March, should be the time limit imposed on the Germans.

This was accepted.

Mr. Lloyd George then read the following press communiqué which had been drafted:—

'The conference of the heads of Allied delegations met at 10, Downing

Street, this afternoon at 5 p.m., and reached complete agreement as to the reply to be given to the counter-proposals of the German delegation on the subject of reparations, as well as in regard to the consequential action involved. It was decided to invite the German delegation to meet the Allies at St. James's Palace to-morrow at noon.'

He expressed the view that it was important that the decisions of the conference should not get into the press. They should fall like a thunderbolt on the Germans.

COUNT SFORZA urged that the discussion should be regarded merely as a general discussion.

M. Briand suggested that no decision should be announced, and that the discussion should be described as having been purely informal. As regards the communiqué which Mr. Lloyd George had read, he thought that the result would be that all the journalists in London would fall upon the delegations and would ask what the decisions of the conference had been. He suggested that the press should be told that the heads of the delegations had held a meeting and had examined the reports furnished by the experts. They would hold a further meeting at 10 or 11 a.m. to-morrow, to decide on the reply to be given to the Germans. Of course, no such meeting would be held.

MR. LLOYD GEORGE thought that the public would have to be told that an agreement would have to be reached, or they would think that the Allies were in disagreement. If the Belgian, French and Italian press published the conclusion and nothing appeared in the British press, the consequences for him personally would be serious. He therefore urged that the members of the delegations should not make any communication to the press in regard to the conclusion, and in particular, that they should not communicate with the British press.

M. Briand suggested that the press communiqué already read out should be adhered to.

MR. CHAMBERLAIN, referring to the decision of the conference on the preceding day that a committee of financial experts should draw up a statement regarding the proposals, informed the conference that the committee had not been satisfied with the first draft which had been put before the conference this morning,⁸ and a further draft had now been prepared. He enquired whether this might now be given to the press.

MR. LLOYD GEORGE agreed.

(The revised statement is reproduced as an appendix.)9

As regards the question of a communiqué to the press, Mr. Lloyd George suggested that, in place of the communiqué quoted above, the following announcement should be made:—

'The conference of the heads of Allied delegations met at 10, Downing

- 7 The text here should presumably read: 'that an agreement had been reached'.
- 8 i.e. Appendix to No. 29.
- 9 Not here printed. It was printed in full in The Times, March 3, p. 10.

Street this afternoon at 5 p.m., and after a full discussion decided to invite the Germans to receive their answer at 12 noon to-morrow.'

(This was accepted.)

The decisions taken by the conference in regard to the sanctions to be applied to Germany, may be summarised as follows:—

The Allies are agreed—

- 1. To occupy the towns of Duisburg, Ruhrort and Düsseldorf on the right bank of the Rhine.
- 2. To obtain powers from their respective Parliaments requiring their nationals to pay a certain proportion of all payments due to Germany on German goods to their several Governments, such proportions to be retained on account of reparations due to it by each Government.
- 3. (a) The amount of the duties collected by the German custom-houses on the external frontiers of the occupied territories to be paid to the Reparations Commission.
 - (b) These duties to continue to be levied in accordance with the German tariff.
 - (c) A line of custom-houses to be temporarily established on the Rhine and at the boundary of the Têtes de Ponts occupied by the Allied troops; the tariff to be levied on this line both on the entry and export of goods to be determined by the Allied High Commission of the Rhine territory in conformity with the instructions of the Allied Governments.
- 2, Whitehall Gardens, March 2, 1921.

No. 31

I.C.P. 172] British Stenographer's Verbatim Note of an Allied Conference held in St. James's Palace, London, S.W., on Thursday, March 3, 1921, at 12 noon

Present: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P. (in the Chair);
The Rt. Hon. A. Bonar Law, M.P., Lord Privy Seal; The Rt. Hon. the Earl Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; The Rt. Hon. A. Chamberlain, M.P., Chancellor of the Exchequer; The Rt. Hon. Sir L. Worthington-Evans, Bt., M.P., Secretary of State for War; experts, The Rt. Hon. Lord D'Abernon, G.C.M.G., British Ambassador in Berlin; Sir John Bradbury, G.C.B., British Representative on Reparation Commission; Mr. Fass, Treasury; Mr. Kerr, Mr. Vansittart, Sir Philip Sassoon, Bt., M.P.; MILITARY EXPERTS, Field-Marshal Sir H. H. Wilson, Bt., G.C.B., D.S.O., Chief of the Imperial General Staff; Major-General Sir W. Thwaites, K.C.M.G., C.B., Director of Military Intelligence; Major-General the Hon. Sir F. R. Bingham, K.C.M.G., C.B.; SECRETARIES, Sir M. Hankey, G.C.B., Mr. Howorth, Mr. T. St. Quintin Hill, Mr. Sylvester; Interpreter, Major Ottley.

France: M. Briand, M. Doumer, M. Loucheur, M. Berthelot, Count de

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Saint-Aulaire; EXPERTS, M. Laurent, M. Seydoux, M. Aron, M. Parmentier, M. Tannery, M. de Margerie, M. Avenol, M. Cheysson, M. de Felcourt, M. Cateron; MILITARY EXPERTS, Marshal Foch, O.M., G.C.B., General Weygand, General Desticher [Desticker]; SECRETARIES, M. Massigli, M. Chastenet, M. Brugère; INTERPRETER, M. Godart.

Italy: Count Sforza, Marquis della Torretta, Signor Meda, Signor de Martino; experts, Comm. d'Amelio, Comm. Giannini, Signor Galli; military experts, General Marietti, Major Mazzolini; secretaries, Signor Ricotti, Comm. Sigismondi.

Japan: Baron Hayashi, Mr. Nagai; experts, Mr. Kengo Mori, Mr. Debuchi, Mr. Arai; military experts, General Watanabe, General Itamy; secretaries, Mr. Saito, Mr. Yoshizawa.

Belgium: M. Jaspar, Colonel Theunis, Baron Moncheur; EXPERT, M. Delacroix; MILITARY EXPERTS, General Maclinse [Maglinse], Colonel Tasnier; SECRETARIES, Viscount Davignon, Viscount Terlinden.

Interpreter: M. Camerlynck.

GERMAN DELEGATES: Dr. Simons, Herr Bergmann, Herr Lewald, Herr von Le Suire, Dr. Schröder, Dr. von Simson, Dr. Sthamer; EXPERTS, Dr. von Kauffmann, Staatsrat Excellenz von Meinel, Regierungsrat Fellinger; secretaries, Dr. Koepke, Legationsrat Behnstedt, Baron Plessen; interpreters, Dr. Brin[c]kmann, Dr. Ill[i]ch.

MR. LLOYD GEORGE: Dr. Simons and Gentlemen,—I have been asked by my colleagues of the British and Allied Governments to make a statement on their behalf in reply to the speech delivered by Dr. Simons on Tuesday and to the document which he subsequently put in. The Allied Governments consider that the statement made by Dr. Simons on behalf of the German Government constitutes a definite challenge of the fundamental conditions of the Treaty of Versailles and must be dealt with accordingly. The Paris proposals, following the line of Boulogne and Brussels, involved a substantial relaxation of the full demand of the treaty both in respect of disarmament and reparation. These proposals were tendered in a spirit of concession to induce an amicable settlement with Germany. The counterproposals mock the treaty. The Allies come to that conclusion not only from the character of these counter-proposals themselves, but also from the perusal of the speeches delivered by Dr. Simons in Germany after the Paris proposals² and the support accorded to those speeches in the German press and Reichstag.

One of the most serious statements made by him was contained in a speech delivered, if I recollect rightly, at Karlsruhe, when he repudiated German responsibility for the war.³ This repudiation was acclaimed throughout Germany, and therefore may be taken to represent the real attitude of Germany towards the treaty of peace. For the Allies, German responsibility

³ See ibid. The reference was to Dr. Simons's speech of Feb. 16.

¹ See No. 27. ² See ibid., n. 4.

for the war is fundamental. It is the basis upon which the structure of the treaty has been erected, and if that acknowledgment is repudiated or abandoned, the treaty is destroyed. The Allies, therefore, feel that they have to take into account the fact that the German Government, with the apparent support of German public opinion, is challenging the very foundation of the Treaty of Versailles. Proposals such as those made by Dr. Simons are simply the necessary corollary of this new attitude. If Germany approaches her obligations in that frame of mind, such proposals are inevitable. We wish, therefore, once and for all to make it quite clear that German responsibility for the war must be treated by the Allies as a 'chose jugée.' The Treaty of Frankfurt in 1871 was based on the assumption that France was in the wrong, and consequently Germany not merely demanded reparation, but the payment by France of the whole of the cost of the war. Germany would never permit France to challenge that verdict, and we must insist that the verdict of the late war, supported as it was by the declared assent of almost the whole of the civilised world, must be respected. Until Germany accepts that position and consents to interpret her obligations accordingly, these conferences will be futile.

A perusal of the speeches delivered in Germany and of the articles appearing in the German press have [sic] driven me reluctantly, very reluctantly, to the conclusion that Germany does not realise in the least the true character of the demands made upon her. I followed these very closely. The German people are under the impression that our demands are an intolerable oppression designed to destroy their great country and to enslave their great people. Let me say at once that we regard a free, a contented and a prosperous Germany as essential to civilisation, and that we regard a discontented and an enslaved Germany as a menace and a burden to European civilisation. We have no desire to oppress Germany. We have no desire to impose a bondage upon her people. We simply ask that she should discharge obligations she has entered into and repair injuries inflicted by a war which her Imperial Government was responsible for provoking.

Under the Treaty of Frankfurt she laid down the principle, and acted upon it, that the nation that was responsible for provoking a war ought to pay the costs of the war. We are not asking for the costs of the war. Not a penny. Not a penny. We are not going as far as the principle of the Treaty of Frankfurt. The war charges of the Allied countries in the aggregate are so enormous that it would be quite impossible to ask any country—any single country—to bear them. That we realise. In fact, we are each of us groaning under a load of taxation to pay debts which each of us incurred to defend ourselves in this war, and to place the whole of them upon one country we fully realise would be an impossible proposition. We have therefore deliberately in the Treaty of Versailles not asked Germany to pay one single paper mark for the cost incurred by the Allied countries in defending themselves in this war. What have we asked, then, of Germany? And I think it is important that the German public should thoroughly understand the character of the demand because I am certain that they are not appreciating

it. We have simply insisted that Germany shall pay reparation in respect of the charges cast upon our respective countries by material damage to property and by injuries inflicted upon the lives and limbs of the inhabitants. We have asked for no more; we can take no less. These are not imaginary wrongs, they are injuries, the reparation of which is imposing a crushing burden at this moment upon the resources of the Allied countries. Take France. France has this year to arrange in her budget for an expenditure of 12,000,000,000 fr. towards restoring her devastated areas. This is apart from the gigantic sum she has to provide for pensions. This provision will have to be made year by year for at least ten years. What charge is there in the German budget comparable to this? I feel certain that the people of Germany have no notion of the devastation wrought in the Allied countries as a result of the action of the Imperial Government in August 1914.

Having regard to the incalculable importance of coming to a real understanding, I think it is vital that the German public should be informed as to the character and the extent of the devastation wrought. I cannot help thinking that when they realise it their attitude of mind will change. They are under the impression that the Allies are seeking to extort money out of them beyond their needs, and I am quite sure that they have not the least notion of the terrible extent of the ravages inflicted by the war in the Allied countries. I will give a few figures which will indicate the extent of the injuries inflicted. In France nearly 21,000 factories have been damaged. The mines in the North of France have been destroyed; it will take ten years or more to re-establish them. The whole of the metallurgical, electrical and mechanical factories in the devastated area have been wiped out; 4,000 textile factories, 4,000 alimentary factories have been destroyed or stripped of their equipment, which was either taken away to Germany or destroyed on the spot; 1,659 communes or townships have been completely destroyed; of 707 townships, three-quarters have been destroyed; of 1,656 at least 50 per cent. have been destroyed; 319,269 houses have been completely destroyed and 313,675 houses partially destroyed, that is, 630,000 houses either completely destroyed or partially destroyed; 20,603 factories have been destroyed; 8,000 kilom. of railway, nearly 5,000 bridges, 52,000 kilom. of roads, 3,800,000 hectares of soil which must be restored to condition, of which 1,740,000 is cultivated soil. There is a reduction of 50 per cent. of the total coal production of France—21 million tons instead of 42 million, and these figures are the minimum. I have passed through this devastated area pretty well from one end to the other, and it is perfectly appalling. The very soil is churned up and destroyed. A good deal of this devastation was wrought through bombardments and movements of war. But an incredible amount of damage was done deliberately with a view to destroy essential means of production. This is true both of France and of Belgium. In the words of General von Bissing at the first meeting of the German Economic Mission to Belgium on the 19th June, 1915—these are his words: 'The object being to provide that Belgium's recovering industry should not prejudice German industry'; great factories were wantonly destroyed, the machinery shattered,

sometimes essential complicated mechanism, which it would take a long time to replace, removed; bridges, concrete foundations, blast furnaces destroyed by dynamite, apparatus destroyed by oxy-hydrogen flames merely in order to cripple French and Belgian industries and to make it impossible for them to compete with German industries when the war was over. I can supply the German delegation with a large number of cases of this kind. There is a very numerous class of cases where machinery and equipment was broken up in order to furnish Germany with metal. Many of the mines in the North of France were deliberately destroyed with a view to making it impossible to work them for years—not by bombardment, but by deliberate acts of destruction. The machinery in many of the textile and other factories was either destroyed or essential equipment taken away. Take the case of the French flax industry—a most important industry in France. This was practically wiped out by the process of destroying all the machinery, so that Germany, which supplied France before the war to the extent of 8.5 per cent., now supplies 50 per cent. of the flax product. Take the case of the blast furnaces and the rolling-mills in Belgium. They were deliberately blown up by dynamite, the place left in ruins so that when the war was over Belgian industry would take years to be in a position to compete with Germany. I can supply many other cases where factories in Belgium and France which constitute a menace to their competitors in Germany were deliberately put out of action. On the other hand, the houses of Germany, with comparatively few exceptions in East Prussia, have sustained no damage; the factories of Germany are quite intact. The moment the war was over they were free to manufacture their fabrics and to sell them to the world while their rivals had their factories and workshops destroyed and their machinery removed or broken up. Therefore, unless reparation is made by Germany, it means that the victors will pay the price of defeat and the vanguished will reap the fruits of victory.

I have been informed by the Belgian Ministers who are present that the destruction of Belgian factories and machinery proceeded to such an extent that the German army in Belgium deported 150,000 Belgian workmen to Germany on the ground that they were unemployed.

But this does not represent the whole of the devastation wrought as a result of the war provoked by the German Imperial Government. I have not given the figures for Italy, I have not given the whole of the figures for Great Britain. I have simply taken these as samples of the destruction which took place. There is the destruction of millions of tons of mercantile shipping. Britain, a country more dependent on its shipping than any other, had 8,000,000 tons sent to the bottom of the sea. But this summary is incomplete without reference to the still more poignant and devastating loss inflicted upon the Allied countries by the killing and the crippling of multitudes of their young and vigorous men in the prime of their strength. France lost 1,400,000 in killed and has to pay pensions to 3,500,000 people. The British Empire lost 1,000,000 in killed, and the crippled who are drawing pensions number about 1,700,000. I have not by me the figures for Italy and Belgium. These

casualties represent not merely a loss to the country of real strength and capacity for wealth production, but a heavy annual burden upon the resources of the country to maintain dependants and the crippled and the maimed who cannot earn a living for themselves.

France alone and Great Britain alone in this respect each bears an annual burden which is almost three times the amount of the whole annual payment now offered by Germany to meet the claim of reparation for damages of all kinds.

Germany no doubt has suffered from the war, but in loss of life it is not comparable in proportion to the population to that sustained by France; and, as to the material damage, the devastation in East Prussia is trivial compared with that which has been inflicted on France.

With all this gigantic injury, what is now offered to France, staggering under the load of expenditure cast upon her by her war debt and by this wanton destruction, which made of her richest provinces a hideous wilderness of ruin and despair with the urgent need that she should rebuild shattered homes, restore factories which are the sole means of livelihood for the poor people who had endured for five years the horrors of war in their devastated provinces, and with her enormous pension liabilities added on to the rest? What is offered to Britain, with her gigantic debt and a pension list incurred in enforcing a treaty which her King signed with the King of Prussia, but which was broken by the latter's descendants?4 What is offered to Italy and to Belgium to relieve their burdens? What is offered? Not one-fourth of the sum required to repair the damage, and that only on condition that those who need it most can find it out of their own pockets first on highly privileged terms, when they can with difficulty raise money in their own markets to carry on the essential work of Government. That is the offer. I cannot understand the psychology which permits the representatives of a country whose Government was responsible for the most devastating war the world has ever seen to come solemnly with such terms to a conference with the representatives of the countries that have been the victims of that devastation.

Had the German Government come here with some proposal which indicated a sincere desire to discharge its obligations, we should have given it the fairest and most patient consideration. If they had said, 'Forty-two years is too lengthy a period'; if they had said, 'A levy of 12 per cent. upon our exports is not the best method of meeting our liabilities or of ascertaining the amount Germany is at a given moment capable of paying, we have other ways which, while they suit us better, will equally meet the case,' then we should have sat down at these conference tables with the German delegation to examine in perfect good faith their counter-proposals with a view to arriving at a reasonable accord. These differences perpetuate an atmosphere of disaccord and distrust, and that is fatal to the peace which is so essential to enable the world to renew its normal tasks. We know that. We were pre-



⁴ The reference is to Germany's violation in 1914 of the Treaty of 1839 which guaranteed the neutrality of Belgium; for the texts of the articles concerned, see B.F.S.P., vol. 27, pp. 991-2 and 994.

pared to make allowances for that. We were prepared to make all legitimate allowances for the real difficulties under which the German and all other people labour as a result of the war, but these proposals are frankly an offence and an exasperation, and as one who is anxious that real peace should be restored in Europe between all its peoples, I deeply deplore that such proposals should ever have been put forward, for they indicate a desire not to perform but to evade obligations which Germany has incurred. Obligations which are far short of those which, according to the precedent she herself set in 1871, we might have imposed.

Had the German Government imposed taxation on their people comparable to the taxes laid by the Allied countries on their citizens, they would be in a better position to confront us at the conference table. But, here again, the vanquished insist on being let off more lightly than the victor.

The German debt, nominally high, is not even nominally as heavy in percentage to the population as that of Great Britain.

Britain during the war raised 3,000 millions sterling in taxation towards the cost of carrying on the war. Germany made no such effort. To-day her apparently gigantic debt has been reduced almost to the amount of her prewar liabilities by a process of depreciating her currency. She has nominally imposed very heavy direct taxes on wealth, but everyone knows that they are not fully collected.

Her indirect taxes, which are the taxes which affect the bulk of the population, are ridiculously low compared with Great Britain—let me give a few examples.

For the purpose of this computation I have taken 10 paper marks, 4 paper francs, and 1s. 6d. sterling as the equivalent to 1 gold mark. I do not think, having regard to the relative value of these coins, that this standard is an unfair one, but I am prepared to test the comparative taxation of British and German citizens by any standard of value which Dr. Simons would accept for the coins in which the taxation is paid in these respective countries.

		Germany	England	France
		Gold Marks.	Gold Marks.	Gold Marks.
Beer	per hectolitre	0.5	34	3.25
Wine	,,	20 per cent. of	about 40 per cent. of	about 27 per cent. of
		retail price	retail price	retail price
Spirits	,,	8o	2,392	316
Tobacco	per kilog.	2	13	
Sugar	per 100 kilog.	1.4	44	12.5
Coffee	,,	15	44 28	••
Tea	,,	23	133	••

The German budget provides for a subsidy of 20 milliards of marks for the railways and the posts; and for food subsidies, 10 milliards.

In this country we have abolished both these subsidies, and imposed upon the travelling consuming public the full cost, in the one case, of running the railways, the post and the telephones; and in the other case, of the food supplies. Those subsidies are a reduction, are an abatement of German taxes, and constitute a subsidy to her industries. Her failure to bring up her taxation to the level of the taxes in the Allied countries, constitutes, in itself, an infringement of the Treaty of Versailles, and until she imposes at least equal taxation, she is not in a position to plead that she is unable to meet the demands of the Paris proposals.

Now I come to the conclusion of this statement. As I indicated in the short statement I made on Tuesday, as president of the conference, the counter-proposals do not even afford a basis for examination or discussion.⁵ They are simply provocative. Further reflection confirms our first impression. It would, therefore, be a sheer waste of time to devote any sittings to their consideration.

The Allies have been conferring upon the whole position, and I am now authorised to make this declaration on their behalf:—

The Treaty of Versailles was signed less than two years ago. The German Government have already defaulted in respect of some of its most important provisions, the delivery for trial of the criminals who have offended against the laws of war, disarmament, the payment in cash or in kind of 20 milliards of gold marks. These are some of the provisions. The Allies have displayed no harsh insistence upon the letter of their bond. They have extended time, they have even modified the character of their demands; but each time the German Government failed them. In spite of the treaty and of the honourable undertaking given at Spa the criminals have not yet been tried, let alone punished, although the evidence has been in the hands of the German Government for months. Military organisations, some of them open, some clandestine, have been allowed to spring up all over the country, equipped with arms that ought to have been surrendered. If the German Government had shown in respect of reparations a sincere desire to help the Allies to repair the terrible losses inflicted upon them by the act of aggression of which the German Imperialist Government was guilty, we should still have been ready, as before, to make all allowances for the legitimate difficulties of Germany. But the proposals put forward have reluctantly convinced the Allies either that the German Government does not intend to carry out its treaty obligations, or that it has not the strength to insist, in the face of selfish and shortsighted opposition, upon the necessary sacrifices being made.

If that is due to the fact that German opinion will not permit it, that makes the situation still more serious, and renders it all the more necessary that the Allies should bring the leaders of public opinion once more face to face with facts. The first essential fact for them to realise is this, that the Allies, whilst prepared to listen to every reasonable plea arising out of Germany's difficulties, cannot allow any further paltering with the treaty.

We have therefore decided, having regard to the infractions already committed, and to the determination indicated in these proposals that Germany means still further to defy and explain away the treaty, to the challenge issued not merely in these proposals, but in official statements made in Ger-

⁵ See No. 27, p. 223.

many by the German Government, that we must act upon the assumption that the German Government are not merely in default, but deliberately in default; and unless we hear by Monday⁶ that Germany is either prepared to accept the Paris decisions or to submit proposals which will in other ways which are equally satisfactory discharge her obligations under the Treaty of Versailles (subject to the concessions made in the Paris proposals) we shall, as from that date take the following course under the Treaty of Versailles:—

The Allies are agreed 7

Mr. Lloyd George explained that the second sanction meant as follows:—

Deduction of part of the purchase value of any goods bought from Germany by Allied countries. A certain proportion will be paid into the Exchequer here, and the rest will be forwarded to Germany with an Exchequer receipt for the amount which had been paid in.

Mr. Lloyd George: I do not know whether Dr. Simons would like to answer now or would prefer that we should have a meeting this afternoon.

DR. Simons (translation): I would like to answer at once in a few words.

Mr. President and Gentlemen, the German delegation is going to examine the speech of Mr. Lloyd George and the documents he has transmitted to us, and has promised to consider them with the care due to their extent and their importance. We undertake to state our answer before Monday noon, but here I may already be permitted to state that the British Prime Minister seems to mistake the intentions of the German Government, and, in our opinion, no occasion would arise for the sanctions stated by the Allied Powers.

(The proceedings then terminated.)

- 2, Whitehall Gardens, March 3, 1921.
- 6 March 7.
- ⁷ The passage here omitted was identical with that in No. 30 (p. 257) except that the last six words in §2 were omitted and replaced by the phrase 'that is in respect of goods purchased either in this country or in any other Allied country from Germany.'

No. 32

I.C.P. 172A] Interview between the Prime Minister and M. Kalogeropoulos at 10, Downing Street on March 4, 1921, at 10.45 a.m.¹

Present: The Prime Minister, M. Kalogeropoulos, M. Rizo-Rangabé, Sir M. Hankey, Mr. Kerr.

M. Kalogeropoulos said he had been asked by the conference to transmit the proposal for the commission of investigation² and that he had received the following reply:—

'In the course of the sitting of the Greek National Assembly of the 1st March, 1921, the acting President of the Council of Ministers, in a long

- ¹ A French translation of these notes is printed in Frangulis, vol. ii, pp. 198-202.
- ² See No. 24.

speech, declared that, in spite of the deference and gratitude due to the Great Allied Powers for the help accorded to Hellenism by reason of the realisation of its national aspirations, the Greek nation found it impossible to accept the proposal which had just been made to the Greek Government on the subject of sending international commissions to Thrace and Asia Minor.

'Afterwards, the President of the Council heard the opinion of MM. Stratos, chief of the National Conservative Party; Danglis, on behalf of the Veniselist Party; Levitis; Boussios, a Jewish deputy; the Armenian deputy from Thrace; and finally six other deputies from Thrace, who all expressed themselves in the same terms as the President of the Council and demanded that the Assembly should unitedly reject the proposal to send an international commission.'

The meeting was closed after the National Assembly had voted unanimously in the following sense:—

'The National Assembly, after the statements made by the Government and the discussion which ensued, announce—

- '1. They cannot agree to the revision of the Treaty of Sèvres, because they consider that this treaty, having regard to the sacrifice sustained by the Greek nation during the war and the historic struggles of Greece for establishment as a free State, contains the minimum of the rights of the nation and assures the peace of the Near East.
- '2. They authorise the Government and the Greek delegation in London to declare, in the name of the National Assembly, to our Great Allies, that the Greek nation, recognising the interest shown by them at all times in favour of its national aspirations, is convinced that the Allies will not insist on their proposals, which Greece finds it absolutely impossible for her to accept.'

All the representatives then expressed their unanimous feeling of the Greek nation to persevere in the fight for the realisation of the national destinies for which she declares herself ready to make new sacrifices.

M. Kalogeropoulos then read to the Prime Minister the draft of the statement he proposed to make to the conference which, while expressing gratitude to the Allies for all they had done, said that it was impossible for the Greek Government and people to accept what amounted to a blank cheque about the most important of the territories acquired by them under the Treaty of Sèvres. On the other hand, the Greek delegation was most anxious to do everything possible to further the cause of peace, and would be glad to submit any other proposals the conference might make to the consideration of their Government.

THE PRIME MINISTER said that he did not think that there was any real question about Thrace, the whole difficulty arose about Smyrna. On this question it was essential that Greece should meet the Allies. He thought that in this matter it was best that he should speak quite frankly. It was not strictly accurate to say that Thrace and Smyrna had been acquired by

Greece through her own struggles and sacrifice. If Greece had been left to her own efforts, not a yard would have been added to her dominions. Greece's territory had been expanded mainly because of the gigantic effort made by the Allies, and principally made by Great Britain, in fighting Turkey. Great Britain had put over a million men into the war against Turkey. It had cost her over £1,000,000,000 to defeat Turkey, and her casualties were about 200,000, which was a figure approximate to the total size of the Greek army. It was a mistake, therefore, for the Greeks to delude themselves into thinking that they themselves had emancipated Thrace and Smyrna. In view of their own sacrifices, the Great Powers undoubtedly had a great right in trying to establish peace in the Near East and to give advice to Greece. Greece had the right to ask that this advice should be friendly, and Great Britain would certainly give whatever advice she did give in the most friendly spirit.

It was not enough for M. Kalogeropoulos in rejecting the first proposal of the conference to say that he would be willing to submit any fresh proposals to his Government. When M. Veniselos was Prime Minister and was asked for suggestions he always helped the Allies by making proposals. At this moment, Great Britain was not nearly in such a strong position to help Greece as she had been. The attitude of Italy was well known; the attitude of France had considerably changed. The recall of Constantine had affected French public opinion very deeply. She was anxious to make peace with the Turks in Cilicia, and her policy was therefore much more pro-Turk than it had been. Even British public opinion was not as strong as it had been. It had a bitter feeling about King Constantine, because it felt that King Constantine had surrendered Fort Rupel and a whole Greek division to the Bulgarians and the Germans in a very treacherous manner at a very critical moment of the war.³ The Prime Minister, therefore, was anxious that M. Kalogeropoulos should repeat to the Greek Government his advice that they should make the best bargain they could now. The Turks had declared their willingness to accept the Allies' proposals. If the Greeks simply gave a non possumus, trouble would certainly ensue. Not only would the conference be turned against the Greeks, but public opinion too. It was therefore essential that the Greeks should help the Allies by making some suggestion for a compromise which the Allies could press the Turks to accept, and which the British Government could press upon France and Italy. He therefore urged M. Kalogeropoulos in the strongest way to put forward a fair compromise. He must remember that it was not a question of dealing with the British Government alone. That would be easy, for the British Government was a strong advocate of Greek claims. It was a question of dealing with all the Allies and making peace with the Turks. The Greek Government must help the British Government towards a settlement. The first proposal of the



³ In May 1916 Bulgarian troops had been allowed by the Greek Government both to occupy Fort Rupel on the Bulgarian frontier and to threaten to frustrate the Allied naval blockade of the short stretch of the Bulgarian coast on the Aegean. See Lord Hankey, *The Supreme Command* 1914–1918, vol. ii (London, 1961), p. 537, n. 1.

Allies had been rejected; that did not matter, provided the Greek Government are willing to come forward with an alternative. The Allies were modifying the Treaty of Sèvres in the matter of Kurdistan and in the matter of Armenia, and in regard to the stringency of foreign controls. It is essential that the Greeks should be willing to make concessions themselves.

M. KALOGEROPOULOS then put in the following telegram and asked the Prime Minister what advice he had to give to the Greek Government:—

'We consider that the circumstances call for a frank interchange of views between your Excellency and the British Prime Minister with reference to—

- '(a) The sincere desire of the Hellenic Government to regulate its policy on the basis of a close unity with the British Government, and
- '(b) Our wish to ascertain the views and enjoy the benefit of the advice of Mr. Lloyd George, alike on this point and on the Greek question generally.

'It would be well to explain to Mr. Lloyd George that the principal motive of our rejection of the proposal for the despatch of a commission is afforded by the economic question, in view of the fact that the last resources at our disposal are being kept back for the purpose of dealing the coup de grâce to Mustapha Kemal, should they prove sufficient for this purpose. Should you observe that Mr. Lloyd George, while inclined to move in the direction of a rapprochement between the two countries, is restrained by suspicions inspired by a long and skilfully conducted campaign of calumny, it would be well to put before him, in a frank, definite and concrete form, the question of political guarantees which Great Britain might be inclined to ask and which Greece would be ready to supply, in order to remove all misunderstandings and throw down the edifice of misrepresentation which blocks the way to a final and mutually advantageous understanding with the Allied Powers, and principally with Great Britain.

'Similarly Greece would be ready, in return for British credits to allow of the continuance of our military operations in Asia Minor, to furnish full guarantees with regard to their utilisation to such an end.'

THE PRIME MINISTER said that since the Greek Government had asked his advice, he advised the Greek Government to settle on something like the following basis, if the other Allies and the Turks could be induced to accept it.

He had been thinking for some time as to how a compromise could be reached in regard to Smyrna without forcing Greece to withdraw. Smyrna was one of the richest parts of the old Turkish Empire, and Turkey in the past had drawn a great deal of its revenue from the Smyrna area. Smyrna, however, depended for its prosperity on the hinterland. He thought it was hard on the Turks, inasmuch as Smyrna's prosperity ultimately depended so largely on the energy and work of the Anatolian peasant, that it should contribute nothing to Turkey's revenues. He suggested, therefore, as a possible compromise, that the Turks should be given the formal sovereignty over Smyrna, but that the Greeks should administer Smyrna, and in return

hand over to Turkey a proportion of the revenues of Smyrna, especially, for instance, of the customs duties. In addition, he thought it would probably be necessary to alter the boundaries of the Smyrna zone in certain respects by retransferring to Turkey certain kazas which were predominantly Mahommedan in population. He did not ask the Greek Prime Minister to put these proposals forward as an offer, but he would like to know from M. Kalogeropoulos that, if the Prime Minister himself put such a proposal forward, the Greek Government would be willing to accept it. He thought it was essential that Greece should make peace without further delay. It would thus be possible for her to demobilise her army and put her finances in order.

M. KALOGEROPOULOS said that he was ready to do everything in a conciliatory spirit to make an agreement, but he could not possibly on his own responsibility take the decision to state his willingness to accept such a compromise. In regard to the question of revenue, it might be possible to come to an agreement, but the question of the alteration of boundaries was more difficult as it would involve the retransfer of Greek population to Turkish control. It would be all the more difficult because Greeks had rebuilt their houses and spent their money on seeds and agricultural machinery and these would disappear if given back to the Turks. He would, therefore, consult his Government.

THE PRIME MINISTER then said that he thought that the Greek Government had to consider very carefully making a good financial offer to the Turks. That was the way Great Britain had dealt with the Cyprus question. It was surely worth while for Greece to make a good offer to Turkey in return for keeping Smyrna under Greek administration, even though it remained under Turkish sovereignty.

March 4, 1921.

4 The island of Cyprus had been assigned to Great Britain to occupy and administer by the Anglo-Turkish Convention of June 4, 1878. For the financial offer made to Turkey, see Art. 3 of the Annex (dated July 1) to this Convention, printed in B.F.S.P., vol. 69, p. 747.

No. 33

I.C.P. 172B] Notes of a Meeting between the Right Hon. D. Lloyd George, O.M., M.P., and His Excellency Bekir Sami Bey, held at 10, Downing Street, London, S.W., on Friday, March 4, 1921, at 12.15 p.m.

Present: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister (in the Chair); Sir M. Hankey, G.C.B., Mr. Vansittart, His Excellency Bekir Sami Bey.

MR. LLOYD GEORGE asked his Excellency Bekir Sami Bey to open the discussion.

BEKIR SAMI BEY thanked Mr. Lloyd George for the opportunity he had

been given to plead the cause of his country before the conference. The Turkish nation certainly desired peace before everything else, and, in addition, to dissipate the unhappy misunderstanding which had grown up between Turkey and Great Britain, which was contrary to the traditional policy of both countries. The Turkish delegation were absolutely disposed to plead before Mr. Lloyd George that this misunderstanding could be dissipated, and they were ready to listen to the counsel which the British Government might give. Having explained the motives for which he had desired this interview, and having made clear the great and firm desire of the Turkish nation to reach an understanding with Great Britain, he would like to tell Mr. Lloyd George how he would hope to achieve this result.

MR. LLOYD GEORGE said he would like to hear what Bekir Sami Bey had to say, and later on he would himself make a statement.

Bekir Sami Bey said that the question of the Straits was the most important of all. All that the Turkish delegation asked was that the town of Constantinople, which was the capital of Turkey and the seat of the Khalifate, together with its hinterland, should not be menaced by the possibility of a coup de main from its turbulent neighbours. So far as concerned other questions relating to the Straits he was quite ready to discuss and to accept whatever conditions Great Britain laid down as necessary, and such guarantees as were required for its safety. For this he would make every effort, on condition that England provided the necessary safeguards for Turkish sovereignty.

MR. LLOYD GEORGE asked what Bekir Sami Bey meant by safeguarding the Straits and assuring Turkish sovereignty.

Bekir Sami Bey said they desired that there should be no fleets, especially no Greek fleet, in the Straits. It was necessary that England should take all measures necessary to provide for the security of the Turkish nation against attacks. On their part, they would give such guarantees as Great Britain required. For example, they would be prepared to agree to build no railway which would be considered as a menace, whether on the side of Gallipoli or on the Asiatic shore, and would give all other necessary guarantees to Great Britain. They would be willing to cede to Great Britain the islands at the mouth of the Straits.

Coming to the general question of policy, Bekir Sami Bey said that he did not want to return to questions relating to the past war. He had already alluded to them in the few minutes' private conversation he had had with Mr. Lloyd George at St. James's Palace, when he had explained to him how the Turkish nation had been dragged into the war against their wishes. Now, however, the war was finished. What was past, whether it was good or bad, could not be retrieved. He wanted, above all, to speak to the Prime Minister in regard to the future. He thought that the Turkish nation was of great importance to Great Britain, and, indeed, a trump card in England's hand. The rôle which Great Britain was expecting from the Greeks could more easily and happily be played by the Turks, once the question of the Straits was settled in conformity with British interests, and consistently with the

existence of the Turks, who would give all necessary guarantees. Mr. Lloyd George did him a great honour in seeing him, and he took the interview very seriously and sincerely. He was not a trained diplomat, but something of a diplomatic parvenu. Nevertheless, he would speak absolutely frankly and without any arrière pensée. He personally, and all his friends, of whom he had many in Turkey, thought that for Turkey to exist independently and for the Turkish nation to be useful to humanity, it was necessary that it should be guided by Great Britain. Turkey had a firm intention to regenerate itself, and sincerely desired that the English Government and nation, and no other Government, should direct its regeneration. Turkey, he admitted, was weak and conquered, but, nevertheless, she still had the means to enjoy an important rôle in world politics. To this end she would put all her means at the disposal of Great Britain, which would be useful to Great Britain and useful to her.

He would now come to the question of the Caucasus. The Turkish Government did not want any pan-Turanian or pan-Islamic policy. That he declared openly. They saw where such a policy had already led Turkey, namely, to the gulf and the abyss. Hence, when he spoke of Caucasia it was not with a view to annexation. The Caucasus might be erected into a barrier against danger from the north, whether it was from Bolsheviks, Mensheviks, I or a Tsarist Government. The Caucasus was very well placed to secure Turkey against Russia, and to serve Turkish interests, and British interests to a great extent as well. He himself was of Caucasian origin, and had many links with that region. He was there for several days on his way to Moscow in the previous October,2 and on his return to Angora he had again stayed in Caucasia, at Tiflis, where he had talked to representatives of the Secret Committee of the Northern Caucasus who had taken refuge there. The Northern Caucasus had about 3,000,000 inhabitants, and included Daghestan, Tchetchnia and Circassia. Transcaucasia comprised Georgia, Azerbaijan and the Government of Armenia, and included some 7,000,000 or 8,000,000 inhabitants. He thought the right policy would be to group Transcaucasia and Ciscaucasia into an independent confederation. He had talked much with Caucasians on this subject. For instance, he had spoken with Chicherin³ in regard to the independence of Caucasia in accordance with the principles which Chicherin had constantly pronounced, and he had also spoken of the autonomy of Daghestan. But the Russians had always managed to wriggle out of giving real independence. All that Russia had given in the way of autonomy was but a shadow. They had retained for themselves the control of the army, the finances, and the internal administration, and nearly everything that appertained to Government, only leaving to the Caucasian States control over public instruction. After seeing them,

¹ i.e. the moderates of the former Russian Social Democratic party who had split away from the more radical Bolsheviks at a congress in 1903.

² Presumably in connexion with the alleged Turco-Soviet Russian agreement relating to action in Transcaucasia; see Vol. XII, No. 605, n. 2.

³ Soviet Russian People's Commissar for Foreign Affairs.

he had talked with his own compatriots, and had convinced them of the necessity that there should be an independent confederation of the Ciscaucasian and Transcaucasian States, including, he hoped, Armenia. They would have to have an army of their own. They could certainly maintain an army of 200,000, and possibly even 300,000, on a war footing. He need not add that they were good soldiers, as they had proved in their struggles against Russia in the days of Chamil. He asked why Great Britain should not avail herself of the forces there available, which already were in sympathy with Great Britain. Thus a barrier would be provided for Turkey and Great Britain against Russia, and the march of Russia into Central Asia would be checked. In the Caucasus also there existed much petrol. For example, in Transcaucasia there was Baku, and in Ciscaucasia was Grozny. Apart from this, the Kuban, which was part of Ciscaucasia, contained between the Don and the Terek a great granary. A Caucasian confederation, such as he had proposed, would deprive the Bolshevik régime of petrol and grain resources. Once Russia lost her petrol her economic life would be difficult and impossible, and she would be entirely at the mercy of Great Britain. Besides this, Turkey would do her best to aid Great Britain in checking Bolshevism in Central Asia, Bokhara, Khiva, Russian Turkestan and Afghanistan. The influence of the Khalifate would be exercised in support of Great Britain. The pan-Turanian and pan-Islamic movements were a negative policy. What he had proposed was a positive one. He contemplated a positive national policy within the Turkish boundaries, with security for economic life and independent government. The rôle he had proposed for Turkey could not possibly be fulfilled by Greece, which was a nation of 5,000,000 inhabitants mainly mercantile in their interests and of no great military value. He thought that history might provide a good object lesson. The Roman Empire, so long as it treated countries and populations as friends, and left them to guard their own boundaries, continued to exist. But when it changed its policy and tried to guard these frontiers itself, it was the beginning of the end. If Turkey could be the friend of England she would act as a guardian of her frontiers. He agreed that Mr. Lloyd George might fairly say that Turkey had proved a bad guardian of the Straits. But that was the fault of the Government. Now it was a question of the nation. If Mr. Lloyd George would give them some directions as to their future line of conduct, he thought they might be very useful friends. If such directions were given, he would work at Angora to get them carried out, and do his best. He could leave here, in London, an agent who would be in continual contact with Angora, and would let them know what Mr. Lloyd George desired in order to bring about a definite peace. He could assure Mr. Lloyd George that Turkey was resolved not to have back at the head of the Government men of the type of Enver Bey, Talaat Bey, or Damad Ferid.5

⁴ A nineteenth-century guerrilla and Muslim (Muridist) leader who resisted Russian rule in the Eastern Caucasus for nearly 25 years until his capture in 1859.

⁵ Enver Bey and Talaat Bey, pro-German leaders of the Young Turks' Committee of Union and Progress, had fled to Germany upon the conclusion of the armistice between the

MR. LLOYD GEORGE said that if the people of this country were convinced of the former part of the proposition it would remove one of the greatest difficulties.

BEKIR SAMI BEY agreed. He would not have come to London unless he had felt assured of the full support of the Turkish nation. He assured Mr. Lloyd George that their object was to arrive at some such policy as he had outlined as regards the Caucasus. His own father had been a Caucasian, and he had spoken personally with many representatives of the local populations, whom he had found to be in accord with his general view.

MR. LLOYD GEORGE thanked Bekir Sami Bey for his valuable and important statement, which he considered a most useful contribution to the problem. A broad view, such as he had expressed, was the only way to deal with these great questions. This afternoon there would be a conference at St. James's Palace. He did not anticipate, however, that much real business would be transacted there. The council was confronted with a practical refusal on the part of Greece, and a conditional acceptance of their proposals by the Angora Government. This amounted to an impasse. The Allies would have to consider their best line of policy. During the last few days they had been so absorbed in considering the grave questions between them and Germany that they had not even been able to hold informal conferences to discuss the Turkish situation. His experience of conferences led him to the conclusion that no business was done at the formal meetings, and that the real work was carried on at informal talks, such as the one he was having the pleasure to hold with Bekir Sami Bey. He had listened with great interest to the statement his Excellency had just made, with a good deal of which he found himself in agreement, notably in regard to the barrier in the Caucasus. He himself was much more afraid of a revival of an Imperialist Russia than he was of Bolshevism. (Bekir Sami Bey nodded assent.) And there were signs already that Bolshevism was gradually developing, or, rather, slipping back into the Imperialistic idea. He had little doubt that before long its present phase would disappear and would be replaced, as had occurred in the case of the French revolution, by Imperialism. This was a great menace to Turkey, and he agreed that the barrier of Turkey was valuable to Great Britain. To that extent it was perfectly true that to-day the interests of the two countries were identical. He thought that his Excellency's remarks were very statesmanlike and deserved careful consideration.

He wanted to say, however, that for the moment the Powers had to settle the question of the Treaty of Sèvres by some other method of approach than that hitherto contemplated. If Greece refused local arbitration, that clearly was not the best road by which to reach a settlement, for then we should be back at a state of war between Greece and Turkey. In that war the Greeks would be fighting with their backs to the sea, and with a unanimous population; for both the Constantinists and the Veniselists were agreed in holding to Smyrna. Moreover, they had a good deal of support from rich Greek Allied and Turkish forces in Oct. 1918. Damad Ferid Pasha had been Turkish prime minister at the time of the signing of the Treaty of Sères on Aug. 10, 1920.

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merchants in foreign countries, and could probably sustain the fight for years. His view was that this would mean ruin to Greece, and most certainly to Turkey, besides disturbing the whole world. It was, therefore, vital to find a way out of the present *impasse*. He himself had certain suggestions to make for settling the question of Smyrna. He would be prepared to discuss these in conjunction with the questions of control, &c. He himself had always been a strong advocate of leaving Turkey with an independence worthy of her dignity, and independence within the territories remaining to her after the war. He was opposed to anything which tended to keep a country in bondage. No nation could continue its independence while remaining in servitude. As an old Nationalist he was a firm believer in liberty and independence. He was sure that a satisfactory agreement could be reached in regard to the controls, consistent with the sovereignty of Turkey. The Smyrna question also had to be settled. Then, afterwards, it would be possible to consider the important suggestions of Bekir Sami Bey in regard to the Caucasus and the Northern barrier. If that barrier gave way, Russia would sooner or later overrun Asia Minor. He was more than delighted at the prospect of restoring the old friendship between Turkey and Great Britain, and that the wild advisers who had been the cause of Turkey's troubles were not likely to be restored.

BEKIR SAMI BEY said he felt sure that that was the case.

MR. LLOYD GEORGE said it was the best news he had heard.

Bekir Sami Bey said that Turkey did not want to see them again. They had promised Cyprus, Egypt and the moon.

MR. LLOYD GEORGE said that this afternoon he would only propose to receive the Turkish and Greek replies. After that he would renew the conversations with Bekir Sami, and at those conversations they could come to grips with the best method of understanding in regard to the Treaty of Sèvres. Thus, when he returned to Angora, Bekir Sami Bey could take with him an honourable understanding with the Powers.

Bekir Sami Bey thanked Mr. Lloyd George again for allowing him to state his case, and assured him again of his great desire to reach a result which would be honourable to the Turks. There were, however, three words which he wished to say in conclusion. First, as regards the majority in Smyrna. The Turkish delegation accepts, the Greek delegation refuses. This seemed to show that the latter delegation feared there was no Greek majority. Secondly, there had already been an Inter-Allied Commission in Smyrna which had made enquiries, and this might be able to give some indication of the desires of the inhabitants. Thirdly, after the Balkan wars M. Veniselos had proposed an exchange between the Greeks of Smyrna and Thrace against the Mussulmans of Macedonia. If he had been certain that there was a Greek majority in those two areas, would he have proposed such an exchange?

MR. LLOYD GEORGE said that Bekir Sami Bey was a practical man and therefore would realise the practical difficulties. The real difficulty of the

6 See No. 20 above, n. 5.

case was this. The Greeks were in possession of Smyrna. Their armies were actually there. It was almost impossible for any Greek king to order the troops out without sacrificing his dynasty. There was all the difference in the world between relinquishing claims for a place and leaving it when actually in occupation. No dynasty, no Government, could face that. That meant that there would be war. There must be some other way, and that was the point on which he hoped to have a future conversation with his Excellency.

Bekir Sami Bey asked if he might be so indiscreet as to enquire what kind of solution Mr. Lloyd George had in his mind.

MR. LLOYD GEORGE said that if Bekir Sami Bey insisted on the Greeks going out of Smyrna there must be war. The Greek Government would have to choose between war and revolution, and if that question were put to any dynasty it would choose war. Therefore the solution must be one which would give sovereignty to the Turks while the district remained in the occupation of Greece, subject to what he was now going to say. There was the further consideration of transit on the railways, and he thought that something could be done to give more satisfactory routes to Turkey for merchandise. He had also been thinking of the fact that Smyrna was a rich district on which Turkey must in the past have been dependent to a considerable extent for part of her revenue. He had been considering whether it would not be possible for Smyrna to remain in Turkish sovereignty, a tribute being paid by the Greeks during the time they were controlling the district. He did not know if the Greeks would accept this proposal. He would be prepared to discuss this with Bekir Sami Bey at the same time as the question of control.

Bekir Sami Bey said he was obliged at once to tell Mr. Lloyd George that a solution which provided for Turkish sovereignty with a tribute paid by Greece, but providing also for Greek occupation, would only be a repetition of what had happened in Crete. Turkey's experience of such conditions was that within two years it involved a loss of territory. The Turkish delegation were prepared to accept the enquiry proposed by the Allies, and if the war continued they would not be responsible for it. He would not say, as the Greeks had said, that the Turks could suppress their enemies within three months. In Anatolia, however, they would certainly go on fighting and would make a match with the Greeks.

MR. LLOYD GEORGE said that if that was his Excellency's real attitude there was not much use continuing the discussion. The question of the Treaty of Sèvres could not be settled in part; it must be settled as a whole. If the question of Smyrna could not be settled, he was afraid the treaty must stand as it is.

BEKIR SAMI BEY said he could not engage himself to the settlement

⁷ A reference probably to the presence of Greek officers in the Cretan militia and gendarmerie. In 1911, two years before Turkey renounced all claim to Crete, the Greek commandant of the militia and gendarmerie, who had left Crete in 1910 in deference to the wishes of the Powers, had been allowed to return to the island.



proposed by Mr. Lloyd George for Smyrna. Mr. Lloyd George knew better than he what Parliaments were. It was impossible for him to say, without instructions from his Parliament, that he could accept such a proposal. His Parliament considered Smyrna absolutely essential for the existence of Turkey. To take it out was like pulling out their heart. Without it they could not exist.

MR. LLOYD GEORGE said that he was certain that no solution could be arrived at which involved turning the Greek army out of Smyrna without a war. Unless they preferred to fight it out, Greece and Turkey must find some way out. If they could not, he did not think it worth while even to put the proposal before the Greek Government.

Bekir Sami Bey said he would begin by saying that he spoke with an open heart and perfectly frankly, as Mr. Lloyd George had encouraged him to do. In this spirit he could not take the responsibility of saying to the Parliament of Angora that Smyrna could never return integrally to the Turks. If the Greeks remained in occupation, it would be regarded as tantamount to Smyrna becoming Greek within two years.

MR. LLOYD GEORGE said that if this was the case an impasse had been reached. The Greeks were not prepared to leave Smyrna.

BEKIR SAMI BEY said: 'Unless we force them to go.'

Mr. Lloyd George said that that was on the knees of the gods. (Bekir Sami Bey nodded assent.) The Turks might be able to drive them out, but they might fail. Anyhow, they could not be sure. It was always a formidable task to overcome a defence, particularly in modern war. It was very hard to drive out those who were in possession, as we ourselves had found in the war. The Turks would find the same thing. They would require a great army, and would be involved in great expense. We ourselves had only been able to overcome the defensive by creating a great army and providing huge quantities of ammunition and incurring enormous expense. When pledging themselves to such an enterprise he thought that Bekir Sami Bey hardly realised its magnitude. He himself had learned this from his experience in the great war. Even to drive out the Bulgarians had proved a costly enterprise.

Bekir Sami Bey said he agreed entirely with Mr. Lloyd George's argument. The task was not easy, especially as Turkey had been disarmed. Nevertheless, they had high hopes of success. They thought that Greece could not continue indefinitely if left to themselves, particularly if the Powers refused their moral and financial support. Even if the Greek army continued to attack with success, the Turks could retire into Asia Minor, which was a vast territory. The Greeks could not follow them, and would be continually harassed by the Turkish forces. Greece was not a rich country, and could not maintain an army of 200,000 men for long, nor carry out an extermination of the Turkish race at Smyrna, and Mr. Lloyd George was more competent to discuss modern military questions than he.

Mr. Lloyd George said he was afraid that in this event there was nothing for it but for the two parties to fight it out in their own way. The Powers could only do their best to make peace between them. Otherwise

the parties to the dispute must resort to the old method which, in spite of the League of Nations, he almost began to fear would continue to exist down to dim and distant ages. Of course, however, if the Turks withdrew from the conference, it would be necessary for the Powers to withdraw the restraint they had imposed upon the Greek army. It would not be possible for them to handicap one of the parties. After fighting for years, it was probable that the two parties would only reach some such solution as he had suggested. They would fight each other to a standstill and complete exhaustion, and then probably settle on some such terms as he had proposed. By that time both the Greek and Turkish nations would be thoroughly ruined. If Bekir Sami Bey had any other solution to suggest apart from forcing the Greeks to withdraw, he would be very glad to hear it. Failing that, he feared the conference would be abortive, and that the difference must be fought out. As this suggestion was not acceptable to the Turkish delegation it was not worth his while to place it before the Greek Government.

Bekir Sami Bey, speaking frankly, as before, said that he was not strong enough to propose Mr. Lloyd George's solution and to get it accepted by the National Assembly. He very much regretted it, but he could not do it.

Mr. Lloyd George asked if he had no other proposal.

Bekir Sami Bey said No. His instructions were formal as regards Smyrna, and for him to agree was beyond his powers.

MR. LLOYD GEORGE said that in that case he feared no good could be done.

Bekir Sami Bey thought that Mr. Lloyd George, in the spirit of justice, would find that the Turkish delegation was not wrong in this question. What they maintained was that there is an actual Turkish majority in the Smyrna district. The Greek attitude was that they were there and would not leave it. All the Turkish delegation asked of the Supreme Council was that they should not be accused of being responsible for the re-outbreak of war. The Greeks had no just claim, ethnic or otherwise, to this district. If the war continued, therefore, the Turkish nation was not responsible before history and the opinion of the world. Hence he would beg Mr. Lloyd George to find a solution in accordance with justice.

Mr. Lloyd George said that the Greeks had gone to Smyrna at the request of the Supreme Council, including the United States of America.8 Greece said: 'You sent us to Smyrna; you investigated the question of our claims twice, and each time you decided in our favour; moreover, you sent us there in the face of a great Turkish army; if you ask us to retire we shall be humiliated before the world.' In these circumstances it was very difficult for the Powers to ask Greece to retire. Hence, he would be glad to hear of another solution if there was one. The Powers were in no way to blame. Turkey was their enemy, and Greece was their friend. They had been anxious for Turkey to be their friend, but she was not. Consequently, they had had to ask the Greeks to occupy Smyrna. Greece had gone there at the request of the Powers. It was clear that for the moment no further

8 Cf. No. 15, n. 3.

progress could be made. If Bekir Sami Bey should at any time have some suggestion to make, he would be very glad to hear from him or to see him, but he could not force the Greek troops out of Smyrna after asking them to go there.

Bekir Sami Bey said he agreed absolutely with Mr. Lloyd George that the Allies invited the Greeks to go to Smyrna and could not compel them to retire by force. To do so would be illogical. He did not want Greece to be humiliated before the world, but to perform an act of justice. Greece was in fear of humiliation. Turkey was not in the same case. She claimed that Smyrna was necessary for her very existence. As an old friend and, he felt sure, a future friend, he would say that the Turks were at least of equal, if not better, value than the Greeks as friends.

MR. LLOYD GEORGE said that the question of figures had been gone into twice and decided in favour of Greece. So far as justice was concerned, the Greeks claimed that they had these two decisions to support the justice of their claims. The only question now was whether the Powers should open a third enquiry. The Greeks said 'No.' For the moment, however, it appeared impossible to make any further progress unless his Excellency should have some further proposal to make.

BEKIR SAMI BEY, on leaving, raised the question of some of his comrades who were imprisoned at Malta, and asked that something might be done for their liberation.9

MR. LLOYD GEORGE said he thought something could be done in that respect.

2, Whitehall Gardens, S.W. 1, March 4, 1921.

9 Cf. No. 18 above, section 5.

No. 34

I.C.P. 173] British Secretary's Notes of an Allied Conference held at St. James's Palace, London, S.W., on Friday, March 4, 1921, at 4.5 p.m.¹

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister (in the Chair); The Rt. Hon. the Earl Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; POLITICAL EXPERTS, Mr. Kerr, Mr. Vansittart, Mr. Nicholson [Nicolson]; SECRETARIES, Sir M. Hankey, G.C.B., Major Caccia, Mr. Sylvester.

France: M. Briand, M. Berthelot, Count de Saint-Aulaire; secretaries, M. Massigli, M. Chastenet.

Italy: Count Sforza, Signor de Martino, Signor Meda; POLITICAL EXPERTS, Marquis della Torretta, Signor Galli; SECRETARY, Signor Taliani.

¹ A French translation of these notes is printed in Frangulis, vol. ii, pp. 202-3.

Japan: Baron Hayashi, Mr. Nagai; secretaries, Mr. Saito, Mr. Yoshizawa.

INTERPRETER: M. Camerlynck.

GREEK DELEGATES: M. Kalogeropoulos, M. Rizo-Rangabé.

MR. LLOYD GEORGE, addressing M. Kalogeropoulos said that the Allied heads of Governments had quite recently made some proposals to him and to the Turkish delegations.² He (M. Kalogeropoulos) had promised to consult his Government, and it was assumed that a reply had reached him which he would desire to communicate to the conference.

M. KALOGEROPOULOS, in reply, read the following statement:—

'The Hellenic Government has submitted to the vote of the National Assembly the proposal which you were so good as to communicate to me relative to the despatch of a commission of enquiry to Smyrna and Thrace.

'As a result of the speeches delivered by the leaders of all parties and by the deputies from Thrace, the National Assembly, after renewing an expression of its gratitude and respect for the Great Powers, has unanimously pronounced against the proposition which has been submitted to it.

'Greece finds herself in fact quite unable to accept the proposal of the conference relative to the despatch of an international commission, since this would be equivalent to the surrender by her of rights definitely established by endless sacrifices made by the Greek nation in common with her great Allies. These rights the Treaty of Sèvres consecrated from the international point of view. The proposal of the conference amounts to asking Greece to bind herself in advance to decisions which shall be come to above her head on matters which are none the less for Greece of the very greatest importance.

'I feel it my duty to declare once again that the desire of the Greek Government is to contribute to the rapid consolidation of peace and order in the East. With this in mind I should be particularly happy to transmit to my Government any equitable proposals which the conference may be so good as to formulate for the purpose of arriving at a realisation of what we all desire.'

Mr. LLOYD GEORGE enquired whether his colleagues had any remarks to offer.

M. Briand replied that he had nothing to say if the statement read by M. Kalogeropoulos represented the decision of the Hellenic National Assembly.

MR. LLOYD GEORGE informed M. Kalogeropoulos that the heads of the Allied Governments would now desire to confer among themselves, and after hearing the Turkish reply, the decision of the conference would be communicated to him.

(The Greek delegation then withdrew. The conference stood adjourned from 4.15 p.m. until 4.40, pending the arrival of the Turkish delegations.)

² See No. 24.

I.C.P. 173A] Notes of an Informal Conference held by the Heads of Governments in the Council Chamber at St. James's Palace, London, S.W., on March 4, at 4.15 p.m. in the interval between the withdrawal of the Greek Delegation and the entry of the Turkish Delegations

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister (in the Chair); The Rt. Hon. the Earl Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; POLITICAL EXPERTS, Mr. Kerr, Mr. Vansittart, Mr. Nicholson [Nicolson]; SECRETARIES, Sir M. Hankey, G.C.B., Major Caccia, Mr. Sylvester.

France: M. Briand, M. Berthelot, Count de Saint-Aulaire; secretaries, M. Massigli, M. Chastenet.

Italy: Count Sforza, Signor de Martino, Signor Meda; POLITICAL EXPERTS, Marquis della Torretta, Signor Galli; SECRETARY, Signor Taliani.

Japan: Baron Hayashi, Mr. Nagai; secretaries, Mr. Saito, Mr. Yoshizawa.

INTERPRETER: M. Camerlynck.

COUNT SFORZA said, that from information received by him he felt confident that the bulk of the Greek population favoured peace. The Greek Government desired the exercise of a little pressure by the Allied Powers in order to show the people that they were not free agents and so save themselves and the dynasty.

MR. LLOYD GEORGE said that he could not agree with the view expressed by Count Sforza. Just as the Poles had always refused all advice offered to them, so would the Greeks; and in his opinion force appeared to offer the only solution. But, who was going to apply force?

M. Briand agreed that it would not be possible to employ force.

MR. LLOYD GEORGE said that when he had interviewed Bekir Sami Bey, he had found him to be very obdurate in regard to the question of the application of financial and economic control and also in regard to the question of the Straits. The Angora Government would apparently be prepared to give all sorts of guarantees in regard to the Straits provided they remained under Turkish sovereignty. But in regard to Smyrna, Bekir Sami had only one idea, namely, that the Greeks must be driven out and be replaced by the Turks. He (Mr. Lloyd George) did not think it would be possible to do anything with Bekir Sami, for it would simply mean that the Allies would have to apply force against the Greeks.

COUNT SFORZA said that the impression left on his mind after an interview which he also had had with Bekir Sami did not coincide with Mr. Lloyd George's. Bekir Sami had undoubtedly put forward all sorts of requests; but he had done so in a very humble frame of mind, and he appeared to be ready to accept the decision of the Great Powers.

¹ See No. 33.

LORD CURZON invited attention to the fact that the conditions made by the Turkish delegations would be found in their official reply which had been circulated.² He enquired whether any reason existed for supposing that the Greek and Turkish delegations had met together in order to effect a settlement.

MR. LLOYD GEORGE did not think it possible for the Greeks and Turks to have met together. Their differences appeared to be hopeless. In his opinion unless some way could be found to get the Greeks out of Smyrna, or to get the Greeks to acknowledge Turkish sovereignty, it would be impossible to make peace.

M. Briand fully agreed with the view taken by Mr. Lloyd George.

Mr. Lloyd George, continuing, said that an endeavour might perhaps be made to get the Greeks to acknowledge Turkish sovereignty in the Smyrna Vilayet. The vilayet was a very rich one, and the Turkish Government had always largely depended on it for funds. On the other hand, the town of Smyrna depended on the labour of the peasantry in the interior. It might therefore be possible to induce the Greeks to pay a tribute to Turkey and so indirectly acknowledge Turkish sovereignty. But, unless the Greeks could be induced in some way to acknowledge Turkish sovereignty, it would mean that the Allied Powers would have to fight the Greeks in order to turn them out of Smyrna.

M. Briand thought that the Greeks would never accept a solution of that kind.

MR. LLOYD GEORGE thought that the Greeks might be forced to accept the same.

² A translation of the Angora delegation's reply (A. J. 269, dated March 2, 1921) read as follows:

'In conformity with the instructions just received from Angora, the Delegation of the Turkish Grand National Assembly has the honour to inform the Supreme Council as follows:—

'The Grand National Assembly confirms the acceptance of an enquiry under the conditions formulated by its Delegates on February 25, 1921 [see No. 25 above], such enquiry to be carried out by an International Commission in the territories of Thrace and of the Smyrna Vilayet.

In order that the enquiry in question may be carried out in all justice and without coercion, as the Supreme Council was good enough to promise, the Grand National Assembly considers that it should be effected under the direct supervision and effective control of the Allied authorities. This is the more necessary since according to recent telegraphic information received by the Turkish Delegation, the Greek authorities are employing methods of coercion to make the Mussulmans of the occupied regions sign declarations favourable to the maintenance of the Greek administration. This has been the case notably at Smyrna, Salihli, Kassava, Alachehir, Ahmedli and in different parts of Thrace

'The Grand National Assembly declares itself ready to accept the other provisions of the Treaty of Sèvres provided they be adapted to conditions indispensable to the existence of a free and independent Turkey.

'The Supreme Council having considered it necessary to examine the provisions relating to other territorial questions, particularly those of Armenia and Kurdistan, and, imbued by a spirit of justice, having been good enough to admit the examination of the other clauses of the Treaty, the Turkish Delegation is fully confident that a careful study of the problem will enable an arrangement to be arrived at which will be fair on the essential points.'

M. Briand enquired whether the Greeks would accept an ethnical enquiry in regard to Thrace.

MR. LLOYD GEORGE said that Bekir Sami had not appeared to lay any importance on the question of Thrace as a whole. He merely wished to possess the coast of Marmora. He (Mr. Lloyd George) thought that the conference had reached an *impasse*, and he saw no way out of their difficulties.

M. Briand asked whether the Greek and Turkish delegations could not be left to settle the question at a tête-à-tête.

COUNT SFORZA thought that it would be quite impossible to force the Greeks to evacuate Smyrna: except by the force of the logical sequence of events. The Allies should tell the Greeks: 'We arranged for a plebiscite, and if you refuse to accept the results of same and decide to remain in Smyrna, you will have to risk the consequences of war.'

MR. LLOYD GEORGE said that in discussing this question the psychological national characteristics of peoples must not be overlooked. The Greek people would never agree to leave Smyrna, and the Greek dynasty would never survive the shock.

COUNT SFORZA did not think that the same tests could be applied to the Greeks as to other peoples. The Greeks certainly possessed patriotism; but that patriotism was purely sentimental and it flourished as a racial characteristic wherever the Greeks settled—in Constantinople, in Paris, and in London—but as a nation they possessed no sense of property or attachment to the soil.

LORD CURZON expressed the view that four solutions appeared to present themselves:—

Firstly, there was the solution which the Allied Governments had tried: but it had failed;

Secondly, the Turks and the Greeks could be left alone to fight it out amongst themselves;

Thirdly, the Allied Powers could themselves draw up a scheme and the onus of rejecting the same could be left to either party;

Fourthly, the Allied Powers could acknowledge that they had failed to get the Greeks and Turks to come to an understanding, and in consequence the two parties could be invited to settle the matter at a round table conference.

MR. LLOYD GEORGE did not think that the last proposal offered any hopes of success.

M. Briand thought that the Allied Powers could tell the Greek Government: 'We have put you in the way of stating your rights, in offering you the only equitable solution, namely, a loyal enquiry. You refused it and thereby the possibility of any conciliation. Therefore, you must take the responsibility of war. You can no longer be permitted to act as a mandatory of the Great Powers, and the cost of occupation shall not be paid by the Turks.' He considered this to be merely a development of Lord Curzon's second proposal;

and in communicating the same to the Greeks, he would say: 'You would not do what we wanted. Therefore, you will act at your risk.'

MR. LLOYD GEORGE said that M. Briand's proposal would involve the Great Powers remaining absolutely neutral in regard to both parties. It would be evident that Great Britain would not be able to withhold her arms, should any Power supply arms to Kemal.

COUNT SFORZA desired to state most positively that Italy had never supplied any arms to Mustapha Kemal. He understood that statements to that effect had been made, but they were absolutely false.³

MR. LLOYD GEORGE remarked that Kemal Pasha had boasted that he had been supplied with arms by Italy. It would be essential that the Great Powers should remain really neutral, if there was to be any fighting between the Turks and the Greeks; otherwise if arms were supplied to either party by any of the Great Powers, that Power would ipso facto cease to be neutral.

COUNT SFORZA entirely concurred.

M. Briand thought that it might perhaps be possible to say to M. Kalogeropoulos: 'If the Hellenic Government refuses to accept the advice of the conference, it will do so at its own risk. Consequently, before taking the final decision to refuse the advice of the Allied Powers, he might desire again to communicate with his Government.' He (M. Briand), thought that a statement of that kind might bring the Greeks to their senses.

(At this point the Turkish delegations entered.)

2, Whitehall Gardens, S.W., March 5, 1921.

³ Cf. Vol. XIII, Nos. 170 and 180.

No. 36

I.C.P. 174] British Secretary's Notes of an Allied Conference held in St. James's Palace, London, S.W., on Friday, March 4, 1921, at 4.40 p.m.

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister (in the Chair); The Rt. Hon. the Earl Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; POLITICAL EXPERTS, Mr. Kerr, Mr. Vansittart, Mr. Nicholson [Nicolson]; SECRETARIES, Sir M. Hankey, G.C.B., Mr. Howorth, Mr. Sylvester.

France: M. Briand, M. Berthelot, Count de Saint-Aulaire; secretaries, M. Massigli, M. Chastenet.

Italy: Count Sforza, Signor de Martino, Signor Meda; POLITICAL EXPERTS, Marquis della Torretta, Signor Galli; SECRETARY, Signor Taliani.

Japan: Baron Hayashi, Mr. Nagai; secretaries, Mr. Saito, Mr. Yoshizawa.

Interpreter: M. Camerlynck.

TURKISH DELEGATES:

Constantinople: His Highness Ahmed Tewfik Pasha, Grand Vizier; His Excellency Mustapha Reshid Pasha, Ottoman Government delegate at London; His Excellency Osman Nizami Pasha, Ottoman Government delegate at Rome; secretary, His Excellency Ali Chevki Bey, Turkish Minister at Stockholm.

Angora: His Excellency Bekir Sami Bey, Deputy for Amassia, Minister for Foreign Affairs (President of Delegation); Djami Bey, Deputy for Aidin, delegate; Khousrew Bey, Deputy for Trebizond, delegate; Yamous Nadi Bey, Deputy for Smyrna, delegate; Zekaia Bey, Deputy for Adana; SECRETARIES, Dr. Nihad Reshad Bey, Munir Bey.

MR. LLOYD GEORGE reminded the Turkish delegations that at the last meeting he had informed them that the Greek delegation proposed to consult the Greek Government on the question of the proposed investigation by an international commission into the situation in Thrace and Smyrna and that the Turkish delegations had decided also to consult their Governments.¹ The conference had now received the reply of the Greek Government,² and would like to hear what was the reply of the Ottoman Government.

Bekir Sami Bey referred Mr. Lloyd George to the document (A.J. 269) which had been already circulated to the conference.³

MR. LLOYD GEORGE enquired whether the Turkish delegations had anything to add to that document.

BEKIR SAMI BEY replied in the negative.

MR. LLOYD GEORGE enquired whether any of the Allied delegates desired to make any observations or ask any questions.

The response was in the negative.

Mr. LLOYD GEORGE then informed the Turkish delegates that the conference had now received replies from both parties and proposed to confer on those replies. A communication would be made in due course to both the Greek and Ottoman delegations indicating the decisions of the conference on the outstanding questions.

Telegrams

Bekir Sami Bey suggested that the conference should hear the contents of certain telegrams which had been received from Thrace and Constantinople on the subject of alleged ill-treatment of the Mussulman population by the Greeks. Copies of these telegrams will be found in the appendix.

MR. LLOYD GEORGE informed the Turkish delegations that the telegrams in question would be sent to the Greek delegation for information, and said that, if the facts were as stated, the practices indicated in the telegrams would be severely censured by the conference.

RESHID PASHA suggested that it would be desirable to hold an international enquiry into the misdoings referred to in the telegrams. If the conference

¹ See No. 25.

² See No. 34.

³ See No. 35, n. 2.

contented themselves with referring the telegrams to the Greek delegates, the latter would merely reply that there was no truth in the reports.

MR. LLOYD GEORGE remarked that before any action was taken it would be necessary to give the Greek delegates an opportunity of replying to the charges made, and that, in any case, the conference would inform the Greek delegates that action of the kind indicated, if true, would be severely censured, and would certainly prejudice, in the eyes of the conference, the case of the nation responsible. He thought that a statement of this kind would have considerable effect. In any case, the matter would be looked into.

Exchange of Prisoners

LORD CURZON said that there was one question which should be considered quite apart from the questions of Smyrna and Thrace. This was the proposed arrangements relative to the exchange of prisoners, which, Bekir Sami Bey would remember, had been referred to at a previous meeting. An exchange of prisoners would be most advantageous from all points of view, and it was desirable that negotiations should commence at once. He suggested that the Greek [? Turkish] delegates should come to the Foreign Office to discuss the question of an exchange of British prisoners and at the same time negotiate with the French delegation for an exchange of French prisoners.

BEKIR SAMI BEY enquired whether this was a question which related to the exchange of prisoners between the Turks and the Greeks or an exchange of prisoners generally.

LORD CURZON replied that the British Government would negotiate for the exchange of British prisoners and the French Government for the exchange of the French prisoners.

Bekir Sami Bey entirely agreed, and was ready to discuss an exchange of prisoners on the understanding that the discussion would cover political as well as military prisoners.

MR. LLOYD GEORGE stated that this would be the case, and that Lord Curzon would arrange to send an invitation to the Turkish delegates to attend a conference at the Foreign Office for the purpose.

(The proceedings then terminated.)

St. James's Palace, S.W. 1, March 4, 1921.

4 See No. 33, p. 278.

Appendix to No. 36

Translation of Telegrams submitted by Turkish Delegation to Conference of London at Meeting on March 4, 1921

1. The president of the Turkish delegation in London has just received the following telegram from Constantinople, dated the 28th February:—

'We, the undersigned, appeal to your Excellency to approach the authorities concerned in view of taking urgent steps towards the release of hundreds of

innocent Turkish notables, arrested with the sole purpose of forcing them to leave the country and thus secure a Greek majority, and putting an end to the terror reigning throughout Thrace.

'All Thrace: Hussein Rahmy, Deputy of Rodosto. HAIREDDIN RAHMY, Notable of Silivri. MOUSTAFA, Notable of Cuzoum Keupreu. MOUSTAFA KASSIM, Notable of Adrianople. CHERIF, Notable of Adrianople. DJEMAL, Notable of Adrianople. DIEZZAR MOHAMED, Notable of Serai. MOHAMED, Notable of Havsa. AHMED, Notable of Lula Pasha. TEVFIK, Notable of Lala Pasha. CHERIF, Notable of Haire Bolou. HUSSEIN, Notable of Haire Bolou. MOHAMED TEGUEN ZADE, Notable of Chourlou. HILMY, Notable of Rolosto. MAHOMED, Notable of Rodosto. YOUSSOUF DIEMAL, Notable of Adrianople.'

2. The Turkish delegation has also received the following telegram from Rome, sent by Ghalib Kemali Bey, president of the Turkish delegation of Thrace and a former Turkish Ambassador:—

'Greek authorities are forcing Turkish population and communities of Thrace to hold meetings and to sign previously prepared papers in favour of Greek domination. Over five hundred notables have been arrested and put into prison. In the name of the Turkish population of Thrace, I have the honour to denounce these unfair dealings, and to draw the attention of the Allied Powers, praying them to take urgent and necessary steps.

'GHALIB KEMALI BEY,
'Plenipotentiary Minister and President of
the Turkish Delegation of Thrace.'

3. Telegram received from Constantinople, the 1st March, 1921:—

'The Greeks, under the pretext of looking for arms, are committing freely unheard of acts of violence and excesses against Mussulman villagers of Eastern Thrace. These villagers are terror-stricken, and seek to save themselves by abandoning their villages. At Adrianople and some other towns wholesale arrests of prominent and wealthy personages began some days ago and are still continuing. They number already many hundreds. The Musti of Serai, a man of 75 years, has been arrested also.'

No. 37

I.C.P. 174A] Note of a Discussion at 10, Downing Street, on March 4, 1921, at 6 p.m.

PRESENT: The Prime Minister, The Earl Curzon of Kedleston, Lord D'Abernon, Mr. Kerr, M. Briand, M. Loucheur, M. Berthelot, M. Camerlynck.

THE PRIME MINISTER said that the Germans had sent two messages during

the course of the morning: one to Lord D'Abernon through Dr. Schroeder,¹ the other to Mr. Kerr through Herr Bergmann,² both of which were substantially the same.

LORD D'ABERNON then read out a memorandum on the purport of these conversations as follows:—

Dr. Schroeder asked to see me this morning and said that the German delegation was surprised at the bad reception their proposals had met with on Tuesday.³ He thought they had not been fully understood, and that they were less far removed from the Paris proposals than had been thought. There could be no question as to the readiness of the German Government to pay up to the limits of its capacity, and the suspicion that Stinnes and other big industrials had had a determining influence on the German proposals was quite erroneous.

On specific points the German Government had considered that their offer gave the *Entente*, for the first five years, practically the same sum as that which accrued to them under the Paris proposals.

Thus:

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Paris—
2 milliards a year for 2 years)
3 milliards a year for 3 years)

whereas the German proposal was—
1 milliard a year for 5 years
an 8 milliard loan paid at once,
which would, therefore, equal
equals
as compared with

13 milliards

5 milliards plus

15 milliards (deferred payment)

15 milliards
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the difference of 2 milliards being a representation of the fact that in the German proposal there was no 12 per cent. exports tax.

I gathered that the German view was that the real meaning of the German proposal had not been properly brought out in Dr. Simons's speech—notably, that the acceptance by Germany of the principle of an increasing payment with increasing prosperity had not been sufficiently made clear.

At the end of the conversation Dr. Schroeder said:—

'The two standpoints of French public opinion and German public opinion are so diverse that no agreement appears possible as regards capital sum. We are therefore thrown back on some provisional arrangement. Cannot a provisional arrangement be made on the following basis?:—

'The Reparation Commission to act under the terms of the Treaty of

- ¹ Respectively H.M. Ambassador at Berlin and Secretary of State in the German Ministry of Finance.
- ² Respectively Private Secretary to Mr. Lloyd George and Secretary of State in the German Ministry of Finance and Head of the War Burdens Committee.
 - ³ March 1; see No. 27.

Versailles to fix the total of damage and also to examine Germany's capacity to pay (see article 234 and paragraphs 9 and 12b of annex II of part VIII). Pending the result of this enquiry Germany to pay reparation on the basis of the Paris decisions for five years, it being understood that Germany has the right to borrow to complete the payment of these annuities if her budget resources are insufficient, it being also understood that Germany would give up none of her rights under the Versailles Treaty, notably article 234 and paragraphs 9 and 12b of annex II, and that she would count on the Allies, through the Reparation Commission, fixing the total indebtedness before the end of the five years, giving Germany a just opportunity to be heard.'

Dr. Simons was very anxious to see me to discuss matters. I replied that I thought there was no good in our meeting unless there was some agreement as to a general basis, but I would take the instructions of His Majesty's Government on the matter.

M. Briand said that this proposal was tantamount to going back to the idea of making arrangements for five years and leaving the rest indefinite. Simons had suggested seeing him (M. Briand) this morning, but M. Laurent⁴ had seen Von Simson instead, whose story was much the same.

The Prime Minister said that what the Allies wanted was cash and not a new surrender on the part of Germany. He was, therefore, in favour of doing his utmost to come to an arrangement. This could not be done by means of formal speeches like those of yesterday. Private conversations were essential. It would be a great misfortune if Dr. Simons reappeared on Monday with a new proposal which might be better than the original one, but still one which the Allies could not accept. He was in favour of informal conversations provided the Allies were agreed as to what they wanted. The best plan of all would be if we could get the German delegation to agree to something which was equivalent to the Paris proposals. It would, however, be very bad if we had another breach, because what we wanted was not more trouble but actual payment from Germany. At Spa, the real business had been done at private meetings between himself and M. Millerand and Dr. Simons. He was, therefore, in favour of M. Briand and himself seeing Dr. Simons the following day.

M. Briand said that he agreed to this proposal.

THE PRIME MINISTER then said that he thought that a part of the arrangement might be that each country might accept a method of payment by Germany which suited itself; for instance, France might accept a large proportion of payment in the form of labour and material; Great Britain might accept payment in the form of reduction on debts owed to Germany. It would clearly be very difficult to find any method which suited all countries equally.

M. Briand agreed, and said that he was perfectly agreeable to such a scheme provided there was agreement.

4 French Ambassador at Berlin.

THE PRIME MINISTER then asked M. Briand's view as to the suggestion that the Allies might agree to accept the Paris terms for, say, five years, leaving the Reparation Commission to fix the total amount at a later stage, or, to an alternative suggestion made by Lord D'Abernon that the Germans should accept the Paris terms as a whole now, subject to the right to reopen the question five or ten years hence.

M. LOUCHEUR pointed out that the French Government had the greatest difficulty in securing [? acceptance of the] agreement in Paris. If they could make an arrangement with the Germans now which was the equivalent of it, the French Parliament would accept it, but if it involved concessions, they would reject it without the least hesitation.

LORD D'ABERNON said that, in his judgment, it was equally impossible for the German Government to accept the Paris proposals as they stood.

M. LOUCHEUR said that what was necessary was some method of transforming the Paris proposals so that they remained equivalent in substance, but different in form. He objected to the idea of permitting the Germans to reopen the question after five years, for, if so, the French Government would equally claim the right to reopen it. What everybody now wanted was finality. The French Government would accept nothing else but the equivalent of the Paris proposals.

THE PRIME MINISTER said that he thought it only added to the difficulties if we insisted on the Germans accepting the Paris proposals without modification. It simply meant another Versailles Treaty, which the Germans would accept under dictation, but which would not have the moral force and sanction of a bargain. It would be far better to make an arrangement as the result of a certain amount of discussion leading to modification which would be of value to Germany, but not of serious moment to the Allies, which the German Parliament could accept as a voluntary agreement, than to impose another settlement by force.

M. Briand said that the Germans came to London in order to haggle. They wanted to find the weakness of the Allied case. If the Allies had not rejected their proposals at the outset, they would already have been masters of the conference. If the Allies remain firm, the Germans will realise that concession is impossible, and they will accept our proposals. The Prime Minister's speech⁵ had had a great effect in spite of previous propaganda in favour of not accepting responsibility for the war.

It was then agreed that Lord D'Abernon and M. Loucheur should meet in the course of the evening to find some equivalent that could be suggested to Dr. Simons the following morning.⁶

- 2, Whitehall Gardens, S.W. 1, March 4, 1921.
- ⁵ See No. 31.
- ⁶ For Lord D'Abernon's reference to this meeting, see his An Ambassador of Peace, vol. i, pp. 132-3.

I.C.P. 174B] Conversations held at 1, Carlton House Terrace, at 10.30 a.m. on Saturday, March 5, 1921

PRESENT: The Prime Minister, The Earl Curzon of Kedleston, Lord D'Abernon, Mr. Kerr, M. Briand, M. Loucheur, M. Camerlynck.

M. Briand said that when they met Dr. Simons he thought the best plan would be to say that as Dr. Simons had asked for an interview the Allies had agreed to meet him in order to find out what he had to say. He also wished to find out whether Dr. Simons had the power to negotiate, for unless Dr. Simons was a plenipotentiary, it would only endanger the position of the Allies to discuss things with him.

THE PRIME MINISTER said that he had no fear of experienced men like M. Briand and himself being trapped by anybody as inexperienced as Dr. Simons, and said that he thought that the most important thing was that the Allies should know what they were willing to accept. He wanted to know what his experts had agreed to.

LORD D'ABERNON then summarised two alternative proposals which he and M. Loucheur formulated the previous night. The first alternative was to make an agreement in regard to the payments for the next five years, and as to a plan whereby the Allies would participate in future German prosperity in lieu of the 12 per cent. export tax, and also decide that the Reparation Commission should proceed to determine the total damage (on an assumption to be agreed to by the French and British delegates that this damage should not be assessed at less than 180 milliards) and that six months before the expiration of the five years, the Reparations Commission should determine further annuities payable by Germany. The second alternative (not very clear) was that the Paris proposals should be accepted for five years, and at the end of that time the question of Germany's obligations under the treaty should be reconsidered on the understanding that neither side was limited by the Paris Agreement; that is to say, that the French could make higher demands than the Paris proposals if they wished to do so in the same way that the Germans could claim a diminution if their prosperity did not warrant the payment of the Paris claims.

(The meeting then adjourned in order to meet Dr. Simons.)

After the discussion with the German delegates1 had been reported upon—

M. Briand said that it was evident that the Germans were coming back towards leaving the Versailles Treaty intact and making provisional arrangements for five years, abandoning all other suggestions. He thought it would be possible for the French delegation to make an arrangement on these lines provided the financial conditions were satisfactory. He had told M. Millerand when he came into office that he thought it impossible to arrive at an agreement for settling the whole reparation question at once on the basis of forty

1 See No. 39 below.

years' payments, and that it was better to make a definite agreement for a short period while leaving the treaty intact, and to leave an examination of the ulterior question to be taken up at a later stage in the light of Germany's ascertained capacity to pay. He had proposed this at Paris, but Mr. Lloyd George had given him such a smack in the eye that he had to abandon it (laughter).² He would be willing to return to this arrangement if the Germans were reasonable about the figures. It was very necessary, however, that the Germans should abandon their talk about not being responsible for the war, for if they were allowed to adopt that attitude, they would soon repudiate liability for reparation altogether. He thought that the next stage ought to be that the experts should meet informally together and report to their various Governments.

THE PRIME MINISTER agreed with this, but added that what really mattered was making arrangements immediately for payment of cash, as the 'Figaro' had pointed out recently, promises to pay were not the same thing as cash, and what the Allies needed was money. He suggested that the meeting on Monday³ should be postponed in order to give more time. Public opinion was very excited in Germany at the moment, but he thought it would rapidly calm down.

M. Briand said that he proposed 5 o'clock on Monday afternoon as, if the experts set to work immediately, it would be clear by that time either that they could put forward proposals which were worth discussing, or, that they had failed altogether.

(This was agreed to and the delegates then adjourned in order to communicate this proposal to Dr. Simons.)

2, Whitehall Gardens, S.W., March 5, 1921.

² Cf. No. 8, minute 3, pp. 68-72. ³ March 7.

No. 39

I.C.P. 1740] Note of the Interview with Dr. Simons at 1, Carlton House Terrace, S.W. 1, on March 5, 1921

PRESENT: The Prime Minister, The Earl Curzon of Kedleston, Lord D'Abernon, Mr. Kerr, M. Briand, M. Loucheur, M. Camerlynck, Dr. Simons, Herr Bergmann.

THE PRIME MINISTER said that M. Briand and himself had understood that Dr. Simons had asked for a meeting, and as they were both agreed that it was of the greatest importance to avoid if possible the repetition of another sitting at which the German and the Allied views proved to be irreconcilable, they had agreed to meet him.

DR. Simons said that he was grateful for the opportunity of asking some questions and making some explanations as he entirely agreed that it would

be deplorable if there was a new misunderstanding on Monday. He wished to state that in principle the German delegation was prepared to agree to the Paris proposals, especially to the principle that there should be combination between fixed annuities and payments varying in accordance with German prosperity. The principal difficulty lay in the size of the annuities in the later period. The burden they laid upon Germany in the future was so heavy that the German delegation could not honestly say that it was possible for Germany to pay it, and in addition, pay the Allies a variable addition to it. Germany, however, was prepared to declare that it was willing to make a sliding scale arrangement if the Allies wished it. The real gulf lay over the size of the fixed annuities. As to the difference between the Paris figures and the German proposals, the divergence was partly due to the fact that the German delegation had discounted the annuities to their present value, and partly to the fact that their valuation of deliveries already made to the Allies differed so widely from the valuation of the Reparations Commission. He feared that owing to the political situation it was impossible to come to an agreement at present about the total sum. The German delegation, therefore, thought that the best plan would be to attempt to make a provisional arrangement. It would not be easy for the German Government to carry this, largely because Germany's total reparation liabilities had [? not] been defined. He suggested, therefore, that they should return to the principles of the Brussels Conference.1

Dr. Simons said that in the opinion of the German delegation their proposals for the first five years were substantially the same as the Brussels proposals, but rather more favourable to the Allies. They modified the Brussels proposals in two respects, as regards the loan and as regards payment in kind to the Allies. He said he would ask Herr Bergmann to explain.

THE PRIME MINISTER said that this was an important point. It was not enough for the Allies and Germany once more to come to a paper agreement about figures. It was essential that they should now make a practical agreement as to ways and means of making payment. Nothing could be worse than these continual public disagreements which inflamed public opinion on both sides.

HERR BERGMANN said that after Brussels the Allied experts had proposed unanimously to the Allies a provisional arrangement on the basis that Germany should pay five annuities for the first five years of 3 milliards each.² They made this proposal because they had been agreed that the tremendous reparation problem could not be settled finally at the present time. The German Government had very hesitatingly agreed to this proposal because it did not give certainty as to their future obligations, but they had said that they were willing to accept the proposal as a basis of discussion, though they could not fully accept the figures involved as they did not see their way to finding the actual cash. They were willing, in fact, to accept

¹ i.e. the conference between Allied and German financial experts held at Brussels in Dec. 1920; see No. 7, n. 3 (ii).

² These proposals had been made in their report of Jan. 18, 1921; see ibid.

the Brussels arrangement so far as liability was concerned, but not as to the method of payment. The Brussels arrangement, however, had been rejected by the Allies, and he did not now see any way of bridging the present gulf, except on the basis of a return to the Brussels principle. Agreement was essential for political and other reasons, and if agreement was impossible now as to the ultimate obligation, the Brussels basis had the advantage of giving a delay of five years, by the end of which time the economic facts would have been ascertained and it would have been possible to arrive at an approximate index of German prosperity.

Herr Bergmann then explained what the German proposal had been. The Allied proposal had been that Germany should pay five annuities of 3 milliards each. The German counter-proposal was that Germany should pay 1 milliard a year for five years in kind and in labour and at the same time raise an international loan of the present value of the balance so that the Allies could get cash immediately.³ The suggested loan was fixed at 8 milliards because that was the present value of five annuities of 2 milliards each discounted at 5 per cent.

M. LOUCHEUR interrupted that the 8 per cent. interest under the Paris proposals only applied for two years, whereas the German proposals made it apply for the whole period.

HERR BERGMANN said that Germany was really desirous of assisting France and Belgium in the work of reconstruction. Germany did not propose that they should help in reconstruction by undertaking the work with German workmen and contractors themselves, but through French contractors. He thought it would be possible for Germany to pay in kind in this manner up to 1 milliard a year on conditions acceptable to the Allies.

The question of the balance was much more difficult. He thought that the loan proposal had been misunderstood by the Allies. It was not an attempt to force money from Allied pockets, but an international loan was the only method by which such tremendous sums could be found. It required the co-operation of the whole world. He agreed that if the Allies could not co-operate it would be necessary for Germany to issue a loan alone, and with the co-operation of the neutrals. In regard to the proposal that the loan should be tax free, the German Government had no foreign exchange, but German nationals had, partly in neutral countries, partly hidden away in Germany. The only way of getting this foreign exchange back was to make it worth while for its owners to hand it over. The proposal to make an international loan tax free with an amnesty would in his opinion give to Germany several milliards of gold marks worthy [? worth] of foreign exchange, which they could not get at now.

To summarise, the German proposal therefore was a proposal to pay to the Allies 5 milliards in the next five years in kind and in labour, and to give them cash immediately to the amount of 8 milliards from the proceeds of the loan. The total of 13 milliards given in this way was really more favourable to the Allies than five annuities of 3 milliards. In his opinion, the only

³ For this German counter-proposal, see No. 27, Appendix 3.

solution was that this plan should hold good for the first five years either as part of a larger plan or as a provisional arrangement. He felt that it was impossible for the German Government as a practical measure to go much farther.

DR. Simons said that he wanted to say something about the method of payment. The only method by which these large sums could be paid was through an excess of exports over imports. This excess of exports could only be arranged on a satisfactory basis if it was adjusted to suit the needs of the different countries. France, for instance, required a quite different class of article to England. An attempt to force exports indiscriminately would be bad for everybody. He thought, however, that only experts could examine and settle the question of adjusting German exports to the various Allied needs. What the German Government most wanted was to give as much as possible towards reparation and as soon as possible. He considered the most urgent task was that of rebuilding houses. He had four times passed through the devastated district and it was a truly heartrending sight, and he felt that the first step towards the restoration of normal conditions was the rebuilding of these areas. He had talked to many German workmen and they were of the same opinion. He thought that it was possible for Germany to do a great deal in this direction. They had worked out a system for manufacturing houses in sections which they had applied successfully to the German shortage of houses, and they could adapt this system to the architectu[r]al needs of France and Belgium.

The Prime Minister said that he was glad to hear this, but that this system while applicable to France and Belgium, did not provide the means of paying Great Britain's reparation claims. He wanted to know, therefore, whether the German delegation would agree to the system of the British Government taking, say, 50 per cent. of all commercial debts owed to Germany in return for an exchequer receipt which the German Government would itself cash in German marks on presentation by the German exporter. German exports to England at present were at the rate of £50,000,000 per annum, pre-war exports were £80,000,000 per annum which at present values meant £200,000,000. This was therefore a practical means of paying reparations abroad.

DR. SIMONS said that he was not personally against this system, but he had not really examined it. He thought the great objection was that it would lead to the undue inflation of German currency as the amounts could not be estimated beforehand.

THE PRIME MINISTER pointed out that this was an objection which could be raised to every reparation scheme and did not apply specially to his proposal.

HERR BERGMANN said that he thought the German Parliament might object to it because Socialist feeling was strong and might regard it as a method of forcing Germany to pay profits to manufacturers.

THE PRIME MINISTER said that he could see no other way in which Germany could actually make payment of her debts, and as to inflation, it

would not be difficult to agree upon the actual amounts to be collected in this way each year.

DR. Simons said that it would be difficult to carry the arrangement because it might be regarded as a penal arrangement.

THE PRIME MINISTER said that he suggested that it should be made a voluntary arrangement. He did not want any more penalties. He had had quite enough of enforced decisions and he was now anxious, if possible, to arrive at an agreed settlement. He thought that this system was the only method by which the Allies could secure actual payment by means of exports, though no doubt the system was specially applicable to the British Empire. Both France and Italy would probably require a somewhat different arrangement.

(At this point the Allied delegates withdrew to the next room for a discussion among themselves.)4

On their return, Dr. Simons said that he personally was quite ready to accept the 50 per cent. deduction on payments into Germany, as part of a provisional arrangement. He had full powers to negotiate and make a settlement, but as this was largely a political question, he felt bound to consult his Cabinet before definitely accepting it.

THE PRIME MINISTER said that the Allies were agreed that it was very important that another fiasco should not take place on Monday at the public conference, as it would produce a very dangerous situation. In view of what Dr. Simons had said, they therefore proposed that the Allied and German experts should meet privately with a view to seeing whether it would not be possible to arrive at an agreed basis, and he suggested postponing Monday's meeting until 5 o'clock in order to give more time.

M. Briand further said that these meetings must not be taken as official negotiations. They were of the nature of private *pourparlers* with a view to finding out whether arrangements could be arrived at before Monday's meeting or not.

DR. Simons agreed to this and the meeting then terminated.

2, Whitehall Gardens, March 5, 1921.

4 See No. 38.

No. 40

I.C.P. 174D] Notes of a Conversation held at the Prime Minister's House, 'Chequers,' Bucks. on Sunday, March 6, 1921, at 4 p.m.

PRESENT: British Empire: Rt. Hon. D. Lloyd George, O.M., M.P., Rt. Hon. Lord D'Abernon, G.C.M.G., Sir M. Hankey, G.C.B.

France: M. Loucheur, M. Camerlynck.

Belgium: Colonel Theunis.

The conversation opened with an account given by M. Loucheur and M. Theunis of the previous day's informal discussions with the German experts,

at the end of which Lord D'Abernon read a typewritten document giving an account of an interview he had had that morning with M. Schroeder (attached in the appendix).

Mr. Lloyd George said that the question to be considered was whether he should say at the meeting next day that the Allies could listen to such a proposal.

M. LOUCHEUR said that M. Briand's view was, that there was no object in listening to proposals of this kind.

MR. LLOYD GEORGE said he agreed that the proposal Lord D'Abernon read could not be accepted. The question arose as to what could be accepted. It was very difficult to discuss that question without M. Briand. Just as difficult for M. Loucheur as for him.

M. Loucheur said that from a political point of view, as the result of conversation with Dr. von Simson, he had come to the conclusion there was not much prospect of getting a suitable proposal. Neither the German delegation nor the German Government were able to make reasonable proposals. That was a feeling that was confirmed by his conversations with the German experts. For example, when they had discussed the question of the annuities for the first five years, they had found a disagreement with the Germans about the interpretation of the Treaty of Versailles, and they, the Germans, had shown clearly that they would not make any proposal for the period beyond the first five years. As the results [sic] of the conversations on the previous day also, it was clear that the Germans were not really accepting their responsibility for the war. M. Briand to-day had been much moved by extracts from the German press, which evinced a state of mind and a spirit that was not encouraging. Above all, M. Briand was convinced that the German delegation and the present German Government possessed no power. To illustrate this, he read a number of extracts from the German press.

MR. LLOYD GEORGE said it was impossible to accept as authoritative the views expressed in journals owned by Herr Stinnes.

M. Theunis said that what was required now was some offer extending beyond the first period of five years. Loans could only be issued against annuities for a long period. He had three times asked the German experts if they were prepared to give annuities over a period of thirty years. A thirty-years' bill, with 3 milliards a year, would be the equivalent to 46 milliards at the present time. This ought to be a minimum for thirty years, and this figure would only be half the annuities provided for in the Paris Agreement. In addition to this, it was necessary to have something on the same lines as the 12 per cent. addition based on German prosperity. Then a loan could be raised. The Germans had refused anything of the kind and had said that they would prefer to take the risk of the Treaty of Versailles. All they offered were payments of 3 milliards for five years plus 12 per cent., which was equivalent to about 17 or 18 milliards during the five years.

M. LOUCHEUR said they had made it clear that even the five annuities were to be paid, not entirely by taxes, but mostly by loan. If they could not borrow they could not pay.

Mr. Lloyd George said that he himself attached more importance than his colleagues to securing German assent to the project for collecting taxes in Allied countries from the sale of imports from Germany. What he was afraid of was merely reaching another paper agreement. If the London Conference did not succeed in reaching a real agreement with the Germans as to some method of payment, we should merely have the Treaty of Versailles over again. That is to say, a forced agreement. That would be tantamount to failure. If the Germans were to say that they were willing for the Allies to deduct the proportion of the purchase money for imports from Germany, then that would be something in hand and would give actual cash. M. Theunis had criticised this on the ground that the Germans would refuse to send goods on such terms, and that the Allies wanted their goods. He agreed that England certainly wanted them, but if the Germans would say 'we will send the goods and you can deduct your percentage from the payment,' this was something substantially gained. In the German proposals we should obtain 1 milliard a year in kind. To complete we require another 2 billions [milliards], plus the 12 per cent., say, a total of 2½ milliards, which had to be collected. He himself could see no other way except by collecting it from German imports. We could certainly collect our share here in England, so that the milliard which France and Belgium obtain in kind would go to their own account, and would not have to be pooled. He himself believed that France could collect the balance of her 55 per cent., and Belgium 8 per cent., out of the scheme he had proposed. At any rate they could obtain a certain amount in this way, and he thought Italy would be in the same position. Consequently, his proposal guaranteed a minimum payment. He agreed with M. Theunis it must be made clear that this was a minimum.

There was another point to which he attached importance. He believed that any German Government which signed this agreement must inevitably fall. The people of Germany would be angry and would turn Dr. Simons out, and a new Government would be brought in. The new Government would then say, 'We cannot help what has happened. Dr. Simons was a plenipotentiary with full authority, and the honour of the country is involved, there is nothing for it but for us to pay.' He himself, therefore, was in favour of getting the Germans to sign not only how much they would pay, but how they would pay it.

SIR MAURICE HANKEY² at this point asked whether he was to postpone the meeting arranged with the Germans for 12 o'clock the next day. Although he was aware that the question of postponement until 5 p.m. had been discussed with Dr. Simons on Saturday,³ he had received no instructions up to the present to postpone.

¹ For the agreement of July 16, 1920, for a proportional division among the Allied powers of German reparation payments, see Cmd. 1615 of 1922; cf. Vol. VIII, Nos. 39-41 and 44. In that arrangement France's share was to be 52%; for mention of 55%, see Vol. X, Nos. 161 and 163.

² Secretary of the Cabinet and Secretary-General of the Conference.

³ March 5. See No. 39.

MR. LLOYD GEORGE suggested the meeting might be postponed from 12 o'clock without mentioning the time of the new meeting. He was willing to go up that evening to see M. Briand.

M. LOUCHEUR said that of course it was not compulsory to hold the meeting at 5 o'clock the next day. He must remind Mr. Lloyd George, however, that the ultimatum expired on Monday at noon. What would be the position of the Allies before the world if the meeting were postponed without naming a time. M. Briand would, of course, be delighted to see Mr. Lloyd George, but he himself had seen M. Briand just before coming to 'Chequers,' and could give an indication of his state of mind. If he had not overcome his fatigue sufficiently to come down to 'Chequers,' it was because he had seen no basis for a settlement.

MR. LLOYD GEORGE said that there was plenty to discuss, and it was very difficult to do business in M. Briand's absence.

M. Loucheur, continuing, agreed that what was required was not a mere scrap of paper, but a real agreement. He was quite ready to accept Mr. Lloyd George's proposal for a tax on the sale of German goods. It was important to collect cash in this way. Nevertheless, it was necessary to consider the present position of the French Government. He thought that M. Briand would say with great force, that it was impossible for the Allies to approach the position of the figures of the Germans. M. Briand was convinced that the political position of the German Government was such, that all they wanted and aimed at was to gain time. The position therefore was very grave. On the previous day the German experts had said clearly that the figures of the Reparation Commission were only of theoretical value. The only indication they gave was, that they would make payments over five years and then discuss the matter again. This was bringing the Allies towards a complete wreckage of the Treaty of Versailles. It was exactly where the Germans wanted to lead them. It was to that the French Government could not possibly agree.

MR. LLOYD GEORGE asked what was M. Loucheur's practical conclusion. M. Loucheur said that if the Allies stood by their present position he thought that the Germans would accept the Paris Agreement and Mr. Lloyd George's proposal as regards the tax on imports from Germany.

MR. LLOYD GEORGE asked if that meant that the Allies were to discuss nothing with the Germans.

M. LOUCHEUR said that what had been done yesterday and to-day was to some extent useful, and possibly the position might be improved this evening.

M. Theunis agreed. He said it must be recognised that there was a long gap between the positions of the two parties which seemed unbridg[e]able. The Allied experts had therefore thought it dangerous to go further. They recognised that Dr. Schroeder's proposal as to methods of payment was useful, but it was essential that the minimum amount of payment should also be agreed. That was the difficulty. The conversations in Paris had shown that the Germans were ready to consider suitable methods of payment, but what was required was a minimum.

MR. LLOYD GEORGE said that the Allies had received an offered minimum for five years, which had been M. Seydoux's proposal.4

M. Theunis said that was merely a proposal of an expert.

M. LOUCHEUR said that M. Seydoux's scheme had been refused at Paris, and as a result of a subsequent discussion the Paris Agreement had emerged. The most serious feature in the situation was that von Simson did not accept the Treaty of Versailles. That was very serious, and von Simson had been quite definite.

M. Theunis said that the utmost harm had also been done by Dr. Simons's speeches showing that he did not accept the Germans' responsibility for the war.⁵

MR. LLOYD GEORGE asked what his colleagues desired. Was it the occupation of Duisburg, Mannheim, &c., or did they want a settlement?

M. Theunis said a settlement was what was required, but not a settlement merely for five years. If this were adopted it would mean that the world would remain unsettled for another five years.

Mr. LLOYD GEORGE asked what they would agree to.

M. Theuns said the Paris Agreement must be the starting point of discussion. The Allies could agree to reduce the forty-two years, they might also perhaps agree that the particular method of 12 per cent. on exports, which had been adopted as the manner of judging Germany's recovery, should be changed and some other substituted. For thirty years, however, they must have fixed annuities in order to provide something on which they could obtain credit. Then the financial position of the world would get clearer. Five years, however, was totally inadequate. As a counsel of perfection, what they might like would be a lump sum. This, however, was recognised to be very difficult, since it was impossible to secure a sum large enough to meet France's needs and small enough to be payable by Germany. That, however, was what was aimed at.

Mr. LLOYD GEORGE said that he had always been a partisan of a lump sum, but the whole of the French press had fought against it and abused him for it. Consequently he had aimed at a compromise.

M. LOUCHEUR said the French now came round to the idea of a lump sum. No French Government could possibly go to Paris with the present terms.

MR. LLOYD GEORGE asked what they could go to Paris with.

M. LOUCHEUR thought that if the Allies stood firm the Germans would accept the Paris Agreement within forty-eight hours.

M. Theunis said that there was too wide a gap between the British and the German proposals. Putting aside for the moment the variable annuities, for which some other scheme might be found, he would, for purposes of comparison, take the fixed annuities for thirty years as a minimum (which was less than the French could accept); discounting them at 5 per cent., this would give 84 milliards. On the previous day the Germans had offered five

4 i.e. the proposal in the report of Jan. 1921 of the Allied Governments' financial experts; see No. 7, n. 3 (ii). M. Seydoux had been one of the French delegates to the Brussels Conference.

5 See No. 27, n. 4.

annuities of 3 milliards. In order to try and get some idea of what the Germans would agree to, he had asked them if they would be prepared to guarantee 3 milliards as a minimum for thirty years. They twice flatly refused to take engagements for more than five years. Suppose, however, they had accepted, the present value of the thirty annual instalments of 3 milliards discounted at 5 per cent. was only 46 milliards compared with the 84 milliards he had mentioned. That showed how wide the gap was.

LORD D'ABERNON said that M. Theunis was comparing a fixed figure with what was intended for a minimum figure.

M. LOUCHEUR said they had absolutely refused to look at the proposal.

M. Theunis said his idea had been to obtain a definite settlement at once or within a few months. His idea had been that the thirty instalments of 3 milliards discounted at 5 per cent. would reach a total of 46 milliards. For the first five years these 46 milliards would be the maximum that the world's financial capacity could absorb. On the other hand, countries like Belgium and France, having in hand a promise of only five annuities of 3 milliards, could certainly not overcome the financial difficulties arising from the necessity of rebuilding quickly the devastated areas; that is why we had proposed this bridge, but the Germans had refused it. Their idea was to offer five annuities of 3 milliards in the hope that at the end of five years many things might happen and they would get rid of the whole bill. M. Jaspar and he had discussed the matter that day, and had agreed that the gap was too large to be bridged.

LORD D'ABERNON said that he was in favour of M. Theunis's plan.

MR. LLOYD GEORGE said that whatever was settled the Germans must be notified this evening.

M. Loucheur agreed.

MR. LLOYD GEORGE then said it would be necessary at once to return to London, and he arranged to invite M. Briand, Count Sforza, Baron Hayashi and M. Jaspar by telephone, to meet at Downing Street at 7 p.m. It was necessary for the Allies to make up their minds that very evening. At present they were far from clear as to their attitude on the morrow, and it was essential to reach complete agreement so that they could act together firmly before the Germans.

(The conversation was concluded at 5.30 p.m., and those present adjourned immediately to London.)6

2, Whitehall Gardens, S.W., March 6, 1921.

⁶ For Lord D'Abernon's account of this and subsequent discussions during the Third Conference of London, see his *An Ambassador of Peace*, vol. i, pp. 133-5.

Appendix to No. 40

Notes on Lord D'Abernon's interview with Dr. Schroeder on March 6, 1921

Sunday Morning, March 6, 1921

Will only make an offer if it will be taken as an object of further discussion and not rejected out of hand.

This offer requires confirmation from Berlin, as it exceeds the delegation's powers. An answer is requested this evening if possible. Answer is expected from Berlin to-morrow morning.

German Government accepts basis of Paris decisions, that is to say, the principle of fixed and variable annuities, the latter dependent upon Germany's recovery.

As it appears to German Government impossible to arrive at a final and total agreement, we propose the following provisional measures for the next five years:—

For the next five years we agree to the financial demands of the Paris decisions, that is to say:—

- (a) Payment of 2+2+3+3+3 milliard gold marks a year.
- (b) Annual additional payment equal to 12 per cent. on value of German exports.

German Government considers that the payment of 15 milliard marks in the first five years is beyond the possibility of German immediate capacity.

She therefore intends to borrow a portion of it (probably 8 milliards) by an international loan, tax free, in such countries as agree to make it so.

To facilitate this loan, the Allies agree to give to the service of the loan absolute priority over claims in article 248. This priority is considered by the German Government as a condition of the possibility of placing the loan, but the obligation to pay the five annuities is definitely assumed by them provided priority is granted.

German Government must also subordinate their offer to the result of the plebiscite in Upper Silesia, and to facilities for the resumption of their foreign trade, which were indicated at Brussels.

German Government accept Mr. Lloyd George's proposal, according to which, as a mode of payment, a certain percentage of the value of German exports should be retained by the Allied Governments, as guarantee of the payment of the reparation annuity for the next five years.

The conditions of Paris regarding loan restriction (article 4) and the restricted power of the German Government over the customs (article 5) are not included in the proposed acceptance.

The proposed acceptance deals with the fixed annuity for the next five years and with the 12 per cent. variable addition for those years.

As regards the years after this transitional period, they remain regulated by the Treaty of Versailles.

No. 41

I.C.P. 175] British Secretary's Notes of an Allied Conference held at 10, Downing Street, S.W., on Sunday, March 6, 1921, at 7.30 p.m.

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister (in the Chair); The Rt. Hon. A. Bonar Law, M.P., Lord Privy Seal; expert, The Rt. Hon. Lord D'Abernon, G.C.M.G., British Ambassador in Berlin; secretary, Sir M. Hankey, G.C.B.

France: M. Briand, M. Doumer, M. Loucheur, M. Berthelot; secretary, M. Massigli.

Italy: Count Sforza, Signor Meda; EXPERT, Comm. Giannini.

Belgium: M. Jaspar, Colonel Theunis; secretary, Viscount Davignon.

Japan: Baron Hayashi; secretary, Mr. Saito.

INTERPRETER: M. Camerlynck.

LORD D'ABERNON, at Mr. Lloyd George's request, read a summary of a conversation he had had that morning with Dr. Schroeder (appendix).¹

MR. LLOYD GEORGE said that it was important for the Allies to know exactly how matters stood. For the benefit of Count Sforza and Baron Hayashi he gave a summary of the conversations which had taken place on the previous day.²

(Sir Maurice Hankey entered at this point.)

M. BRIAND said that the German proposal which M. Loucheur and Lord D'Abernon had brought appeared at first sight, subject to certain reservations, to have a resemblance to the Paris Agreement. In reality, however, they were entirely different. The Paris Agreement had been a sort of contractual treaty following as a corollary to the Treaty of Versailles. The Allies had endeavoured to fix the total sum to be paid; that was the spirit of the Paris Agreement, to find a basis for compensation. The German proposal only aimed at a payment for five years, which struck at the main principle of the compromise which the Allies had sought to find in the Paris Agreement. It would be impossible for the French Government to get this through the French Chamber, or to get it accepted by the French people. The question would be asked, why had so many sacrifices been made to obtain only one side of the compromise. The German Government would not face an agreement which provided for the whole payment. They thought that they could settle as regards five years, and then discharge the matter later on. They hoped that after that five years they would find a rift between the Allies, and would in the end have to pay nothing more. That was the whole trend of the articles in the German press, which was in keeping with the idea that Germany had no responsibility for the war. At Paris an agreement had been reached as to the basis of the settlement. The German Government said that it would only pay for five years; from that point they offered nothing; thus the main advantage of the Paris Agreement would be lost. It would be impossible for him to propose it to the French Parliament, much less to get it accepted. The Germans were not in a position to make a serious offer, and would not make one unless forced to do so. If the Allies stood firm, in a few days they would receive proposals. The present proposals did not form any basis for discussion. Consequently, to continue discussions in regard to them would merely be to lose another fortnight. Public opinion would be utterly wearied and disgusted with this. The Germans merely treated Ger-

¹ Not here reprinted. It was the same as the Appendix to No. 40.

² See Nos. 38 and 39.

many as though it were a vast world factory. If it produced much, then the Allies might get some part of their excess profits. They said this quite cynically.

MR. LLOYD GEORGE said this attitude could not be regarded as cynical at all, since Germany could only pay out of profits.

M. LOUCHEUR said that there had been a misunderstanding. What M. Briand meant was that the German attitude was that only in the event of huge profits would an excess profit be produced which would be available for the Allies.

M. Briand said that their proposals were not in the least in accordance with the Treaty of Versailles.

MR. LLOYD GEORGE asked what was M. Briand's definite proposal.

M. Briand said that, if the Allies found themselves faced by a proposal of this kind on the morrow, they could not accept it as conforming to the Paris Agreement.

MR. LLOYD GEORGE again asked what was M. Briand's definite proposal.

M. Briand said it would be only fair and loyal to tell the Germans that if they had no proposal which came nearer to the Paris Agreement, or was equivalent thereto, the Allies could not accept it. If they had nothing better to offer, it was no good deluding them by false hopes and further conversations. In that event the Allies would have to make use of their powers and apply their sanctions. That was his view.

COUNT SFORZA said that, if he understood the German proposal, it was that for the first five years they would accept the Paris Agreement, and for subsequent years they would bow to the treaty. He thought that to put in force the sanctions on this ground would be to place the Allies in a false position.

(At this point Mr. Bonar Law entered.)

M. JASPAR said that the proposal made by the German delegation, or, rather, which they might be expected to make to-morrow, was this: To adopt the figures proposed in the Paris Agreement for the first five years, with the added two conditions, namely: firstly, the abandonment of the Treaty of Versailles as regards Upper Silesia; and, secondly, the demand for trade facilities (treaty of commerce providing for most-favoured-nations agreement). This was an infraction of the Treaty of Versailles, without mentioning the question of their proposed payment by means of loans. Leaving this and coming to the substance, he thought that the essential objective of the Allies was the re-establishment of the peace of the world. That was why the Belgian Government had always adopted the attitude of avoiding recourse to violent measures. He thought, however, that the present proposal did nothing to improve the situation. For five years, if the Allies accepted the proposal, Germany would be troubled by economic difficulties, because she would all the time be discussing what would be happening at the end of the five years. In such conditions it was deceptive to think that peace was going to be established. To think so was an illusion, and consequently he could not agree to it. This was his first observation.

The second was one which concerned the Allies more particularly. What would happen at the end of the five years? Germany said that she would bow to the Treaty of Versailles. She might say this to-day, but after five years the position might be far more difficult than to-day. There was little doubt that Germany entertained mad hopes, and thought that by then the Allies would be less strong and less unanimous. They hoped that by then the Allies would be faced by a more complicated situation, which would be more favourable to a compromise in favour of Germany. Apart from this, he questioned whether it was possible after two years of conferences, more especially the recent conference at Paris, the effect of which had been very great, and the present conference of London, to which the same remark applied, after Dr. Simons's speeches, and after Mr. Lloyd George's great and eloquent speech the other day3—after all this, he wondered whether it were possible for them to return to their public and say that they had only reached an agreement for five years. In his view this was not expedient. The Belgian Government could not accept the German proposals in such conditions, and, even if they did accept, he did not think it would afford a rapid solution of the present difficulties. In order to end these rapidly, he thought it was necessary to have recourse to sanctions. The state of mind in which Dr. Simons's speech had put the public opinion of Germany was such that only by such measures was it possible to avoid most profound difficulties. The Allies had agreed on the Paris resolutions, and if the Germans could not adopt them or put forward some equivalent, it would be necessary to have recourse to sanctions. Had the Germans made any other proposals? No. He certainly was not one who thought that the Germans had merely been asked to London to accept without discussion the Paris Agreement. He came here with an unprejudiced mind, in the hope that the Germans would be ready to discuss the question in good faith with the Allies. Was it not extraordinary, therefore, to hear from the Germans that all they had to offer was a payment during the first five years which, by their own admission, were the most difficult in their economic life, and to hear them refuse to agree to any payment for subsequent years when their prosperity would be increased? It was impossible, in his view, to accept such an attitude. He would add one word on the financial aspects of the question. Five annuities of 3 milliards each spread over five years were only equivalent to 13 milliards. It was impossible for the Allies to meet their needs of reparation with that. If they could obtain a larger number of annuities they might be able to raise a loan.

BARON HAYASHI expressed general agreement with M. Jaspar.

Mr. Lloyd George said he had one remark to make in regard to the five annuities. These had not originally been a German, or Belgian, or British or an Italian proposal, but a French proposal.

M. BERTHELOT said this was not the case.

Mr. LLOYD GEORGE said it was M. Seydoux's proposal.

M. Berthelot was about to explain, but Mr. Lloyd George said if the ³ See No. 31.

matter was disputed he did not wish to waste time by detailed explanations.

M. JASPAR said that no one appeared anxious to father this proposal.

MR. LLOYD GEORGE said that at any rate it had not been a German proposal. It ought not, therefore, to be described as a German trick to rob the Allies of money again. He himself had always wanted the lump sum settled once and for all. We said we could not find a means for that, and an Allied proposal had been a settlement for five years. When the Germans came round to the Allied point of view, we said, 'Here are crafty fellows: they are trying to break up the unanimity of the Allies.' He asked that the Allies should get rid of their hatreds and ferocious dislikes, and come to business. They should not impute to the Germans plans which had emanated from themselves. He himself had always been opposed to the five years, and had wanted the lump sum, but he had been attacked by every newspaper in France, and by many in Belgium. He was now told that we must have a war with Germany to obtain the forfait. He himself was all for the forfait. But we must remember that it was not war we wanted, but cash. He was told that if only the Allies held firm and threatened, the Germans would sign the Paris Agreement. No doubt they would, but this would only give us another Treaty of Versailles imposed by force. What he wanted was a real agreement which would induce Germany to pay. The question was not whether to accept the German proposal, but whether we should say, 'We will not discuss anything.' One line would be to say, 'You agree to give five years' payment, but we want a certainty, and five years is not sufficient to provide this. You must agree to something which is worth our acceptance.' The whole difference between him and his colleagues was that he saw no use in forcing the signature of a paper agreement. He suggested, therefore, that we should now tell the Germans that we had decided that the agreement must be for a longer period, and that this intimation should be sent at once. He himself thought that there were still many alternatives open for discussion. He would not put forward his latest alternative now, because it was late, and the experts' tendency was always to turn down any new suggestion. It was not, perhaps, the moment to examine fresh proposals. He was certain, however, that the Allies could obtain the proposal he had already made as regards the tax on German imports to Allied countries. The Germans had refused it as a sanction, but had almost accepted it as a method of payment. If we merely tried to force the Paris Agreement they would afterwards plead force majeure. Why should we not say to them, 'You must face payments over thirty years.' As regards the twelve years difference between the thirty years and the fortytwo years, he would say that we were willing to consider what was to be done as regards the capital value of the annuities for those years after the Reparation Commission had decided on the total claim. That would give us 3 milliards of gold marks as a minimum for the thirty years. He would have a suggestion to make later for a maximum as well as for the minimum, but that could be discussed on the following day. For the moment he would like to say to the Germans that they must have an understanding for thirty years,

leaving the capital values for the payments over the twelve years to be discussed after the Reparation Commission had examined the claims. The only point left, therefore, would be this discussion for the twelve years. He did not believe in giving the Germans no sort of guidance. He thought that they would accept anything if the Allies would only try and save their face. It would be a very great advantage to get them to sign something willingly. It was quite probable that the Government that signed would be repudiated by the Reichstag and turned out of office. The new German Government would then say that the paper had been signed, that the blame must be laid on the late Government, that the agreement was fatal to Germany, but that the honour of the country was involved. He hoped that his colleagues would accept this, because the Germans were now, for the first time, proposing something which would provide cash. Italy had feared that Germany would refuse to send goods if the deduction were made from the payment,4 but now the Germans were prepared to accept the proposal, not as a sanction, but as a basis for agreement. He hoped that our object would not be to pick a quarrel and have a great flourish, exciting the people, but all resulting in no business done.

M. LOUCHEUR said that if he had rightly understood Mr. Lloyd George's suggestion it was to extend to thirty years the proposal which Germany had made for five years with a minimum of 3 milliards per annum for the additional twenty-five years. The Paris Agreement subsequent to the first five years would produce 141 milliards as a minimum. Mr. Lloyd George's new proposal would give 75 milliards as a minimum and a maximum to be fixed according to the formula which Mr. Lloyd George would propose. He would reserve the calculation for the last twelve years until the Reparation Commission fixed a total claim. He wished to draw attention to the fact that all the figures which had been brought forward were inferior in value to the bonds formally accepted by the Reparation Commission and now in their hands.

MR. LLOYD GEORGE said that if M. Loucheur preferred the bonds of the Reparation Commission he could keep them, he could have all the bonds, but we should collect more cash than he.

M. LOUCHEUR said that he recognised two things which had to attain [sic]; one was the amount of the debt and the other was the method of payment. He agreed very well with Mr. Lloyd George's proposal as regards collecting payment, which he thought the Germans would accept, but there was no basis for discussion as regards the amount of the debt.

M. Briand said he was sure the conference would recognise his desire for conciliation, which he had already clearly shown at Paris. He had already told the conference how difficult it had been for him to get the Paris Agreement accepted by French public opinion and Parliament. It had meant considerable concessions in the French total claim, but he had explained that this was essential to the peace of the world in order to get a settlement

4 Cf. No. 28, p. 230; see also No. 40, p. 297, where this criticism is attributed by Mr. Lloyd George to M. Theunis.

and arrive at a stroke at a way out of all the difficulties between Germany and the Allies. This had been understood and accepted, but it had involved a great sacrifice for France. He had eventually agreed and had signed the document at Paris, which provided for the application of certain sanctions which he had read to the French Parliament. All this had been made public, and it had only been with the greatest difficulty that he had got it accepted by Parliament.⁵ He had been told on all hands that this threatened a supersession of the Treaty of Versailles. He had explained that these sacrifices were necessary in order to reach an agreement. After the Paris decisions had been notified to the Germans they had been invited to London. The Paris decisions were now threatened with being overthrown. If this took place he would not even go back to his Parliament. It would not be loyal for him now if he said he could possibly accept any retrocession of the Paris Agreement. In accepting the Paris Agreement his back had been against the wall and the very extreme of concession had already been made. Mr. Lloyd George had spoken of the weakness of the political position of Dr. Simons. He would sign some agreement in London and would then be upset and there would be a new Government in Germany which would raise the discussion all over again. Why should they not do so? Every time they discussed the Germans obtained some concession. Consequently, it was to their advantage to go on discussing. In his opinion, we should say loyally and sincerely to the German Government that if they had no proposals to make which came closer to the Paris Agreement, it was impossible for us to agree to further discussion. We were, in fact, receding all the time further and further away from our original position.

MR. LLOYD GEORGE reminded M. Briand that he had made a definite proposal. M. Briand had not done him the honour to apply his mind to the proposal, and he did not know what his opinion of it was. M. Briand seemed to have made his statement on the assumption that Mr. Lloyd George had proposed to accept the German proposal for limiting present payments to five years. He (Mr. Lloyd George) had made no such proposal. His proposal had been for a period of thirty years with a minimum and a maximum.

M. Briand said that M. Loucheur had already replied in regard to that proposal pointing out this fact in figures, and he did not wish to return to it. The Paris Agreement already made a 40 per cent. concession, and this proposal amounted to a further concession.

MR. LLOYD GEORGE explained that he had not proposed to make any concession as compared to the Paris Agreement. They depended upon the amount fixed for a minimum and a maximum and upon the figures adopted in regard to the twelve years that were taken off the forty-two years proposed at Paris. M. Briand all through had accepted his proposal that the amount for the twelve years should be discussed and for the Reparation Commission to consider the total of the Allied claims. He had not, in fact, proposed to abate one penny of the Paris proposal. His suggestion had been that the method of locating the amount claimed for the last twelve years of the Paris

⁵ See J. O., Chambre: Débats, Jan.-March 1921, p. 285.

proposal should be dealt with by the Reparation Commission which adjudicated on the total claim.

M. LOUCHEUR said that M. Briand had never said a word refusing this. In regard to the twelve years, the French Government had always been ready to cut the forty-two years down to thirty years. He thought the amount to be provided for this twelve years might have been calculated by the Allies themselves, but if Mr. Lloyd George proposed that the Reparation Commission should do it we should not object. The next question was more serious. The Paris Agreement granted a minimum which for thirty-five years worked out at 154 milliards of gold marks. Mr. Lloyd George's proposal for thirty years only gave 90 milliards of gold marks. All depended upon the formula to be adopted for the variable part of the indemnity, and as yet he had not seen the formula proposed.

M. Theunis said he would like to try to sum up how the question stood now. It had been agreed by all that the basis of discussion should be the Paris Agreement. It was further agreed that a beginning should be made by cutting off the last twelve years of the Paris Agreement. The first proposal was that the amount to be provided for this twelve years should be fixed by the Reparation Commission or by the Allies when the Reparation Commission had formulated the total claim. The next question related to the first thirty years. He understood the proposal to be that instead of the Paris Agreement there should be a thirty-years' annuity of 3 milliard gold marks, making a total of 90 milliard gold marks for the thirty years as a minimum. The Paris fixed annuities reached a total of 154 milliards. The problem, then, was to find a formula which would provide a sliding scale to bridge over the difference between 154 milliards and 90 milliards, and, second, to find a means to provide a substitute for the disappearance of the mobile annuity.

MR. LLOYD GEORGE said he would endeavour to explain the proposal he had in mind to provide a maximum. The minimum was to be for 3 milliards. The maximum could then be fixed on the basis of a percentage of German exports. He would propose a sum equal to 30 per cent. on the German exports. For example, if German exports returned to their pre-war figure of 500 millions sterling, which, owing to prices being doubled, could be 1,000 millions sterling, 30 per cent. would produce 6 milliard gold marks. In 1913, the last complete year before the war, exports from Germany had been growing very rapidly. In 1912 they had been 342 millions sterling, and in 1913 they had been 500 millions sterling. No doubt this rapid increase would again manifest itself. Supposing German exports reached 1,200 millions sterling, then, on that basis, we should obtain 8 milliards of gold marks. Hence, instead of cutting the figures of from 150 millions to 200 millions sterling, he would put 150 millions sterling (3 milliards [? gold marks]) as a fixed figure, and he would not have 12 per cent., but 30 per cent., on the total of German exports in order to arrive at the total annuity. As the figures for German exports increased, you would eventually run up to a figure of 300 millions sterling. He would, however, leave the maximum until after the Reparation Commission had fixed the total claims. His proposal might run to bigger figures than the Paris Agreement.

It was important that the Germans should be seen before to-morrow, and that a way should be prepared for them to read the formula. This was what he had been trying to find, but agreement had not yet been reached. Suppose the Germans could be induced to say that for the first five years they would accept the Paris Agreement and for the remainder of a total period of thirty years they would be prepared to adopt a figure corresponding to the state of German prosperity and a figure for the last twelve years to be fixed after the Reparation Commission had fixed the total claim, that would enable the discussion to continue.

Mr. Bonar Law suggested that the best way to put it to the Germans would be that their proposal for five years was no use by itself; that they must come forward with a formula providing for payments over a period of thirty years with a minimum and a maximum, the latter not exceeding a figure to be fixed by the Reparation Commission, the said annuity depending on the prosperity of Germany.

M. Loucheur asked if Germany was to make a concrete proposal as regards the percentage.

MR. LLOYD GEORGE said there was no time left for fixing details such as percentages. What was required was some statement which would enable the experts to go on discussing details for a day or two.

M. Theunis thought it was necessary to lead the German experts to put forward before to-morrow a formula on some more or less vague lines such as had been proposed by the Prime Minister. The Allies could reply that this deserved consideration, and could grant twenty-four hours in which to decide the matter and give a reply, at 4 p.m. to 5 p.m. on the morrow. However, the Allies must have a proposal sufficiently concrete to form the basis for discussion.

MR. LLOYD GEORGE then put forward the following formula:-

'We accept the figures of the Paris Agreement for the first five years, and, as regards the remainder of the time, we are prepared to agree to a minimum and also to a maximum, to depend upon the German prosperity as indicated in their exports.'

He would like the Germans to make a declaration of that kind. There was no time before to-morrow to have figures prepared. If they would make a declaration of that kind, however, the Allies might suggest that the experts should meet and work out details.

M. JASPAR said it was indispensable that the minimum should be indicated.

MR. Bonar Law said that would look as though the Allies were going to get nothing more.

MR. LLOYD GEORGE pointed out that a minimum was apt to become a maximum.

M. JASPAR adhered to his view that it was indispensable to state a minimum.

The German delegation should say that it was first disposed to fix a total figure for the debt, and, second, that it was ready to accept the Paris Agreement as regards the first five years; thirdly, that it would accept such and such a minimum and a formula to be worked out depending on the prosperity of Germany. He thought the Allies could adopt some such new ground for discussion. It must, however, be in conformity with the Paris Agreement.

M. Briand said that he and his colleagues would like to have three-quarters of an hour for reflection.

Mr. LLOYD GEORGE then read the following formula proposed by Mr. Bonar Law:—

'We accept the figures agreed to at Paris for the first five years and for the remainder of the time. Taking the Paris Agreement as a basis, we are prepared to discuss an arrangement which would include a minimum and also a maximum, to be dependent upon German prosperity as indicated by our experts.'

(Shortly before the adjournment M. Doumer⁶ entered.)

(The conference adjourned at 9.30 with a view to resumption at 10.30.)

After the resumption at 10.30, M. LOUCHEUR said that the French delegation had carefully examined Mr. Bonar Law's draft with a view to reaching an understanding and wished to make the following observations. Instead of merely stating that the Paris Agreement would be taken as a basis, they wished to put 'the figures of the Paris Agreement as a basis.' There might be other figures, but they must be equivalent to the Paris figures. Second, they wished to indicate the value in actual figures of the minimum. Third, a formula should be inserted for the maximum in order to make it clearer. It should be shown that an annuity was to be paid which would be calculated on such and such a percentage which would be a minimum. It was necessary to indicate the method of calculating the figures. Mr. Lloyd George in his statement had indicated 3 milliard gold marks, the addition being reckoned on the equivalent of 30 per cent. on German exports. The French delegation had made a calculation comparing this with the Paris decisions and had come to the conclusion that, in order to reach the same figure as Paris, it would be necessary to raise the 30 per cent. to 40 per cent. This was not put in for bargaining purposes, but to make a comparison with the Paris Agreement. He must also indicate that, as Germany said, the period up to the 1st May, 1921, was included. This period, in fact, was not included, but was over and above the sums paid up to that date. In the reply made by the Allies to Germany this must be put clearly. It must also be made clear in the statement that, if no agreement were reached within a specific period, say, twenty-four hours, our ultimatum would be applied. Further, it must be made clear that if the Reichstag had not accepted the agreement within a week our sanctions would be applied. Otherwise the Germans would wriggle out of it on the ground that the Reichstag had not accepted it. The

⁶ French Minister of Finance.

four reservations made by the Germans on the Paris Agreement must also vanish.

M. Briand had also remarked to him that the question of disarmament was still open. The Allies must insist that if the disarmament demands in the Paris Agreement were not immediately fulfilled they would exercise their rights. In these remarks he had endeavoured to follow the general lines of Mr. Lloyd George's proposal, but to give it more precision. If this was accepted, he would like to make some suggestions as to the method by which this conclusion should be communicated to the Germans.

MR. LLOYD GEORGE said that this meant there was nothing to discuss with the Germans.

M. Doumer said that the idea was that the Germans should make a statement on the lines proposed by M. Loucheur.

MR. LLOYD GEORGE said that meant that we should accept the Paris figures if they yielded most, but if the 40 per cent. gave most we should accept that.

M. LOUCHEUR said that this was not the case. If the 40 per cent. gave less we should accept that.

MR. Bonar Law said he understood the proposal was in order to placate French public opinion and take the Paris figures as a basis. That is to say, a minimum of 150 millions sterling, plus 40 per cent.

M. LOUCHEUR said that they wished to start from the Paris basis and to get a comparison with the Paris figures, but it was distinctly understood and accepted that the 40 per cent. would be accepted whether it gave more or less than the Paris figures.

Mr. LLOYD GEORGE said that the difficulty was that the French delegation really proposed an alternative to the Germans and wished to tell them that they must accept it by noon to-morrow. There was really nothing for them to accept.

MR. BONAR LAW said it was merely another ultimatum.

M. Doumer said it was a mere suggestion to be made unofficially to the Germans.

MR. LLOYD GEORGE said it would be as well to have the whole of M. Loucheur's proposal. How did he propose to put this to the Germans?

M. LOUCHEUR said the procedure he suggested was that experts should immediately meet the Germans that very evening. Referring to the conversation between Lord D'Abernon and Dr. Schroeder that morning, they should say that honestly the German proposal for five years had no chance of acceptance, and should ask them whether they would now make a proposal extending over thirty years. The first five years would be in accordance with the Paris Agreement and for the second twenty-five years the payments should be on a basis which they would discuss. The experts would then reply 'Yes' or 'No,' and, if they said 'No,' the proceedings would go no further. If they said 'Yes,' then the experts would suggest to them a proposal extending over the twenty-five years. There would therefore be two terms, one of which would be based on the prosperity of Germany. Then the conversation would continue and the suggestions would be made as regards index figures

and a minimum payment, advance being made step by step. This would be preferable to Mr. Lloyd George's general plan. As regards the question of the last twelve years, it would be explained that the capitalisation of this would be fixed by the Reparation Commission or by the Allies after the Reparation Commission had formulated the total claim. This was merely his sketch of the tactics which would be pursued.

MR. LLOYD GEORGE said he felt 40 per cent. was too high. Taking the trade of 1913 this would amount to 400 millions sterling a year. Forty per cent. was 8 milliards of gold marks on the trade of 1913. German exports were growing rapidly, and this growth would increase, so that before long we should arrive at the figure of 10 milliards of gold marks. That was beyond the figures of the Paris Agreement. We could not assent to take part in such an arrangement. If 40 per cent. were merely taken as a starting point for bargaining purposes he would agree. He could understand that M. Loucheur was unwilling to take his figure of 30 per cent. as a starting point, but if it was proposed to refuse to take less than 40 per cent. the British Government could not accept the responsibility of trying to force that.

COUNT SFORZA said that was his view.

BARON HAYASHI nodded assent.

MR. LLOYD GEORGE said that nevertheless he would be disposed to take the 40 per cent. as a basis for bargaining.

M. LOUCHEUR explained how the 40 per cent. had been arrived at. It was not proposed to put an ultimatum that night, but merely to ascertain whether the Germans would listen.

MR. LLOYD GEORGE said that if M. Loucheur and Lord D'Abernon liked to open a discussion with the German experts the same evening on these lines they could do so, but it must be clearly understood that the proposal was not to be put in the form of an ultimatum.

M. LOUCHEUR said that he only proposed to ascertain, so to speak, if they could speak the same language as the German experts.

COUNT SFORZA proposed that full powers should be given to M. Loucheur and Lord D'Abernon.

M. Jaspar, in reply to a suggestion that Colonel Theunis should be associated with M. Loucheur and Lord D'Abernon, said that he and his colleagues were prepared to give full powers to M. Loucheur and Lord D'Abernon.

It was agreed-

That M. Loucheur and Lord D'Abernon should at once see the German experts with a view to ascertaining whether they could be induced to put forward a proposal on the lines proposed by Mr. Lloyd George, as modified by M. Loucheur, but on the distinct understanding that the proposal should not be put as an ultimatum.⁷

2, Whitehall Gardens, S.W. 1, March 7, 1921.

⁷ Cf. No. 40, n. 6.

I.C.P. 176] British Secretary's Notes of an Allied Conference held at 10, Downing Street, S.W., on Monday, March 7, 1921, at 11 a.m.

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister (in the Chair); The Rt. Hon. A. Bonar Law, M.P., Lord Privy Seal; The Rt. Hon. the Earl Curzon of Kedleston, K.C., Secretary of State for Foreign Affairs; The Rt. Hon. A. Chamberlain, M.P., Chancellor of the Exchequer; EXPERTS, The Rt. Hon. Lord D'Abernon, G.C.M.G., British Ambassador in Berlin; Mr. Kerr; SECRETARIES, Sir M. Hankey, G.C.B., Mr. Howorth.

France: M. Briand, M. Doumer, M. Loucheur, M. Berthelot; EXPERT, M. Tannery; SECRETARIES, M. Chastenet, M. Brugère.

Italy: Count Sforza, Signor Meda, Signor de Martino; EXPERTS, Comm. d'Amelio, Comm. Giannini, Signor Galli; SECRETARY, Signor Ricotti.

Japan: Mr. Nagai; experts, Mr. Kengo Mori, Mr. Debuchi; secretary, Mr. Saito.

Belgium: M. Jaspar, Colonel Theunis; secretary, Viscount Terlinden. Interpreter: M. Camerlynck.

MR. LLOYD GEORGE enquired whether Lord D'Abernon or M. Loucheur would report to the meeting the result of the latest conversations with the German experts.¹

M. LOUCHEUR said that Lord D'Abernon and himself had met Herr von Simson, Dr. Schroeder and Herr Bergmann on the previous evening and had communicated to them the decisions reached by the heads of the Allied delegations on that day. The German delegates had asked for time to consider the decisions, and a meeting had taken place at 9.30 a.m. to-day with Herr von Simson and Dr. Schroeder, Herr Bergmann not being present. In order that no question might arise as to the precise nature of the discussion, a summary had been drawn up and was read out at the meeting to the German delegates, who, after consultation with Dr. Simons, had agreed to the statement, subject to the comment that they could not definitely assent to the 12 per cent. for the variable annuity, but that if that annuity was not 12 per cent. it would be something equivalent to 12 per cent.

(M. Loucheur read out the French text of the summary, a copy of which, and of the English translation, will be found in the Appendix.)²

MR. LLOYD GEORGE said he thought the best course to pursue would be to allow the Germans to come to Lancaster House to-day and make their new proposal, but it was clear that this proposition was not one which the Allies could accept, inasmuch as it contained nothing definite. For example, the reservation respecting Upper Silesia was a most important one, and had already been taken into account in the Allied delegations' new proposed

¹ See No. 41, last paragraph.

² Note in original: 'Translation only printed.'

variable annuity of 40 or 30 per cent. If the result of the plebiscite was that Upper Silesia went to Poland, then the German exports would go down substantially, and the Allies would get less reparation out of the proceeds of those exports. This was a fully realised factor, and the Allies could not possibly consent to any arrangement which would be liable to be torn to pieces if the result of the plebiscite was that Germany lost Upper Silesia. Mr. Lloyd George then reminded the meeting that he had always thought the Allied policy regarding Upper Silesia open to serious criticism; that the Allies were endeavouring to pursue at the same time different and inconsistent aims.3 In his judgment, it was not feasible for Germany to lose Upper Silesia and at the same time pay vast sums for reparation. Yet the Allies appeared to favour both the loss to Germany of Upper Silesia and the exaction from her of reparation to the same extent as if she had retained that very rich territory. If Upper Silesia went to Poland the Allies would undoubtedly suffer as regards reparation, and would then perhaps see more clearly than at present the folly of the policy which they had pursued. Mr. Lloyd George added that he thought the only question which the meeting had to decide was whether the Allies should publicly refuse to entertain the German proposition at once, or whether it might not be better to postpone the meeting with the German delegation until 5 p.m., at the same time indicating to them that the Allies had decided to reject the proposition and to put the sanctions into force. This latter alternative would have the advantage that it would give the German delegation a few hours in which to reflect on the situation.

M. Briand thought that it would be very difficult to revert to the discussions, especially as it was clear that these discussions could now have no practical result. After addressing the ultimatum to the German delegation, the Allies had been induced to enter into further negotiations, which had proved fruitless because the German delegates had shown that they were not empowered to conclude any settlement which would be acceptable to the Allies. He felt that an adjournment until 5 o'clock would not alter the situation, and public opinion throughout the world would fail to understand what was really happening. If the Allies proceeded to impose the sanctions, he (M. Briand) thought it not unlikely that the German delegates would be disposed to renew the conversations, and from the Allied point of view such renewal might have better chances of success. It was not at all improbable that the German delegates and the German Government would welcome the pressure which the imposition of the sanctions would involve. They could then represent to the German people that there was no alternative but to agree on some solution which the Allies would accept. The course he proposed was painful to the Allies, and no doubt painful to the Germans, but he felt sure that it would be better to come to a conclusion as soon as possible.

COUNT SFORZA remarked that the gravity of the decision which the Allies had to take lay not in its form, but in its substance. So far as he was con-

³ For Allied policy at this time regarding Upper Silesia, see Vol. XI, Chap. I; see also No. 16 above, minute 2. The plebiscite there was due to be held on March 20, 1921.

cerned, it was immaterial whether the Allies gave their decision to the Germans at 12 o'clock or at 5 o'clock. His doubts as to the policy were well known, and he would only say that he thought it would be more logical for the Allies to notify the Germans of their decision forthwith and not to postpone it any longer.

The Belgian and Japanese delegates agreed with this view.

MR. LLOYD GEORGE remarked that no doubt the Germans would wish to read a statement of some kind, but he was unable to inform the meeting what that statement would contain.

M. LOUCHEUR said that he did not think that Dr. Simons would make a long statement. That morning Dr. Schroeder and Herr von Simson had asked whether their meeting with the Allied delegations would take place as arranged, at noon to-day, and he had replied that this depended on the decision to be taken by the Allied delegations on the latest German proposals. If the decision was adverse to those proposals the meeting would probably take place as arranged, at 12 noon. The German experts had then told him that if they knew beforehand that their latest proposition was to be rejected they could assure him that the meeting would be a very brief one.

(The proceedings then terminated.)

2, Whitehall Gardens, S.W. 1, March 7, 1921.

Appendix to No. 42

Summary of Conversations between the German Experts (Dr. Schroeder and Dr. von Simson) and Lord D'Abernon and M. Loucheur

(English text.)

The German delegation declares itself disposed to contemplate a draft final agreement, which would include:—

- (a) For the first five years, the figures of Paris (fixed annuity) and sums equal to a variable annuity.
- (b) For the following years, a fixed annuity less than the fixed annuities of Paris and a variable annuity, calculated according to a system to be determined.

When asked if the two new annuities would form the equivalent of the two old annuities, the German delegation replied that for the moment it had not authority to give a precise answer.

As regards the four reserves which Dr. Schroeder had made in a conversation with Lord D'Abernon—

Upper Silesia, Trade, Borrowing Powers, Customs,

the German delegation declares that it is formally instructed to maintain them, and that their refusal would make it impossible for the German delegation to formulate a proposal.

The German delegation points out that as regards Upper Silesia, the reserve does not imply that the plebiscite should not take place—but he [sic] makes it clear that Germany cannot pay [? make] such important engagements without knowing the fate of Upper Silesia.

As regards the other reserves, the German delegation considers that they also imply no change in the treaty of peace.

Questioned by us, the German delegation state they have not powers to conclude, and that they cannot make a written offer.

The above suggestions have already been telegraphed to Berlin. Berlin has replied that a new project is being prepared, but the German delegation does not know on what basis.

Consequently, the German delegation thinks that the conference should be postponed for eight days to allow Dr. Simons to go to Berlin and discuss the question.

No. 43

I.C.P. 177] British Stenographer's Notes of an Allied Conference held at Lancaster House, on Monday, March 7, 1921, at 12 noon¹

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister (in the Chair); The Rt. Hon. A. Bonar Law, M.P., Lord Privy Seal; The Rt. Hon. the Earl Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; The Rt. Hon. A. Chamberlain, M.P., Chancellor of the Exchequer; The Rt. Hon. Sir L. Worthington-Evans, Bt., M.P., Secretary of State for War; experts, The Rt. Hon. Lord D'Abernon, G.C.M.G., British Ambassador in Berlin; Sir John Bradbury, G.C.B., British Representative on Reparation Commission; Mr. Blackett, Treasury; Mr. Kerr, Mr. Vansittart; MILITARY EXPERTS, Field-Marshal Sir H. H. Wilson, Bt., G.C.B., D.S.O., Chief of the Imperial General Staff; Major-General Sir W. Thwaites, K.C.M.G., C.B., Director of Military Intelligence; Major-General the Hon. Sir F. R. Bingham, K.C.M.G., C.B.; SECRETARIES, Sir M. Hankey, G.C.B., Mr. T. St. Quintin Hill; INTERPRETER, Major Ottley.

France: M. Briand, M. Doumer, M. Loucheur, M. Berthelot; EXPERTS, M. Laurent, M. Seydoux, M. Fromageot, M. Cheysson, M. Aron, M. de Felcourt, M. Cateron; MILITARY EXPERTS, Marshal Foch, O.M., G.C.B., General Weygand; SECRETARIES, M. Massigli, M. Brugère, M. Chastenet.

Italy: Count Sforza, Marquis della Torretta, Signor Meda; EXPERTS, Comm. d'Amelio, Comm. Giannini, Signor Galli; SECRETARIES, Signor Ricotti, Comm. Sigismondi.

Japan: Baron Hayashi, Mr. Nagai; EXPERTS, Mr. Kengo Mori, Mr.

¹ Note in original: 'Corrected by German stenographic note.

Words underlined were not spoken by Dr. Simons, but appear in German procès-verbal.

Words underlined were spoken by Dr. Simons, and do not appear in German procès-verbal.'

For parallel German and English texts, see the German White Book, op. cit., pp. 168-79.

Debuchi, Mr. Arai; MILITARY EXPERTS, General Watanabe, General Itamy; SECRETARIES, Mr. Saito, Mr. Yoshizawa.

Belgium: M. Jaspar, Colonel Theunis, Baron Moncheur; EXPERT, M. Delacroix; MILITARY EXPERTS, General Maclinse [Maglinse], Colonel Tasnier; SECRETARIES, Viscount Davignon, Viscount Terlinden.

INTERPRETER: M. Camerlynck.

GERMAN DELEGATES: Dr. Simons, Herr Bergmann, Herr Lewald, Dr. Schröder, General von Seecks [Seeckt], Dr. von Simson, Dr. Sthamer; EXPERTS, Dr. von Kauffman, Staatsrat Excellenz von Meinel, Regierungsrat Fellinger; SECRETARIES, Dr. Koepke, Regierungsrat Feldbansch, Baron Plessen, Captain von Goldammer, Dr. Hans Volckers; INTERPRETERS, Dr. Brin[c]kmann, Dr. Ill[i]ch.

MR. LLOYD GEORGE: Dr. Simons and gentlemen:—As the meeting on Thursday² is adjourned until noon to-day in order to give time to the German delegation to consider their reply to the demand put forward on behalf of the Allies, I presume Dr. Simons is now in a position to reply.

DR. SIMONS: Mr. President and gentlemen:—The British Prime Minister, at the close of his speech on Thursday last, declared in the name of the Allied Governments that from to-day certain measures of coercion would be resorted to against Germany if she did not by then make a declaration that she was ready either to accept the Paris decisions³ or to submit proposals which would, in another but equally satisfactory way, fulfil her obligations arising from the Treaty of Versailles.

Permit me first to sum up the present situation. Our counter-proposals of the 1st March4 have been rejected and have not been found worthy to form the starting point of further discussions. On the other hand, for the reasons explained to you, we are not in a position to accept the Paris decisions of the 20th January. In view of the far-reaching differences of opinion of both parties at this moment, the difficulties in the way of a perfect solution of the reparation problem are so great that we are under the necessity of abandoning the idea of presenting to you a new plan to-day for the total reparation. Thus, in spite of serious objections, we have decided to revert to the idea of a provisional arrangement. I may draw attention to the fact that Allied experts have unanimously recommended to their Governments to provide in the Paris Conference for German reparation demands only over a period of five years, because after long and thorough investigation they are convinced that that enormous problem could not be rapidly solved. I further may remind the conference that even some of the Allied Governments just before the decision of Paris had emphatically denied the possibility of at once determining the total indebtedness of Germany, and had even demanded a provisional arrangement covering from three to five years.5

² March 3; see No. 31.

³ See No. 12, minute 3.

⁴ Printed as Appendix 3 to No. 27.

⁵ A reference to the Allied financial experts' proposals in their report of Jan. 18, 1921; see No. 7, n. 3 (ii).

All these considerations have likewise led us to consider a definite settlement for the next five years. In order to prove that we desire to satisfy the Paris demands of the Allies as far as possible, we should be prepared not only to pay the fixed annuities provided for for the first five years, but in addition, to give full equivalent for the levy of 12 per cent. on our exports which has been demanded from us, but which we do not consider practical. We feel certain that such tremendous payments are only possible if a large part of them can be financed by way of a loan. We should, however, only make such a proposal if it was likely to be taken into consideration by the Allied Governments, but we can only make the proposal on the assumption that Upper Silesia, as a result of the plebiscite, remains with Germany, and that the restrictions which have been imposed upon us in the commerce of the world be abolished. Both would be necessary to enable Germany honourably to promise such high payments.

Whether we shall present to you to-day a proposal of that kind is entirely for you to decide. If you should agree to it we would do our best to co-operate with your experts to discuss the details of the proposal, and then to establish as soon as possible a comprehensive plan of reparation for the period of thirty years. If, however, in spite of what I have said, you should insist upon the demand that we immediately have to make to you a fixed offer, a fixed total offer, it will be necessary for me to ask for a delay of about a week in order to consult personally in the matter with the Cabinet at Berlin.

And now I beg leave to make a few remarks in reply to the reflections upon which the president of the conference has based the resolution of the Allied Governments, because I think it immensely important to these decisive hours that no misunderstanding should stand between the Allied Governments and the German Government.

If there is such a large difference between the Paris Agreement of the Allied Powers and the London counter-proposals made by Germany, this is not to be explained by any intention upon the part of the German Government to repudiate their treaty obligations or even to mock the treaty, but by the fact that they differ from the Allies in estimating, on the one hand, the effects of the Paris Agreement, on the other, the capacity of Germany's economic organisation. We are fully aware of the immensity of the damage wrought by the war in all belligerent countries, and of the extent of that part of this burden which we have undertaken to shoulder by the Paris Treaty, but we are also aware that nobody would be benefited by our fixing now, for many decades, our obligations in a manner, which according to the result of careful examination far exceeds our own capacity, as well as that of our children and grandchildren.

In the time which has elapsed since Thursday, I have left nothing untried to explain the spirit in which our counter-proposals have been made, to clear up mistakes, and to try to find other ways to an understanding. I should like once more to lay stress upon the fact that our counter-proposals have been based on the sincere desire to find a settlement which would also be acceptable

to our adversaries, and correspond to their requirements. It is a mistake on the part of the president of the conference that we wanted to find the money for the loan to mobilise our reparation debts in the pockets of our adversaries. The loan was to be issued according to our proposals in all countries which wanted to participate in it, and of course also in Germany. The very issue of this loan would have furnished the means in Germany to get at the capital which wanted to evade taxation, and to make it serve the purposes of reparation. Should any Allied country have refused to participate in this loan it would have been free to do so without, therefore, the necessity arising of giving up the whole idea. We have satisfied ourselves that, having regard to the wide divergencies of opinion on the subject of Germany's capacity, a final settlement could not be reached. We have, therefore, tried to resort to the thought—already at an earlier date suggested to the German Government by the English and French Governments—that is, the establishment of a provisional scheme for five years.

Although such an arrangement would entail heavy sacrifices for Germany, and would, above all, have the defect of leaving the burden of uncertainty as to the final total debt, we were, in the interests of peaceful understanding, ready to enter upon the soil of such an agreement. We would even have gone so far as to accept the principle of the Paris resolutions, that the total reparation would have to consist of the fixed annuities and variable factors which would increase with the increasing capacity of Germany. For the first five years we should be in a position to pay fixed annuities of the same amount as fixed by the Paris Agreement, and at the same time to offer a substitute of equivalent value for the proposed supplementary indemnity. On the other hand, we have, even after the most careful examination in accordance with the unanimous wish of the Government and of the nation in Germany, not been able to resolve to accept the rest of the resolutions of the articles of the Paris Agreement on our part. According to the declaration of the other adversaries the Paris Agreement is meant to meet us halfway.

(Mr. Lloyd George: Would you mind repeating the last sentences?) On the other hand, we have, with most careful examination, and in accordance with the unanimous opinion of the German Government and of the German nation, not been able to resolve to accept the rest of the articles provided for in the Paris Agreement. According to the declarations of the Allies the Paris resolutions are intended to represent a concession to us. If we could not come to an understanding on the whole reparations question we should prefer, for the time, after the lapse of five years not to make use of this concession, but to keep intact the provisions of the peace treaty. I am not able to see how far this can be regarded as a wilful and deliberate refusal on the part of Germany. Beneficia non abstruduntur.6

(In order to prevent mistakes I may here remark that it is understood

⁶ The benefits are not concealed.

that the German delegation would prefer the settlement of the total reparation debt to be calculated according to the provisions of the peace treaty.)

The British Prime Minister has pointed out that the basis of the peace treaty is to be found in Germany's guilt for the world war, 7 and that consequently Germany, according to the principle set by herself in the Treaty of Frankfurt, is bound to pay, not only as the Versailles Treaty provides, the damage of the war, but also all the costs of the war. He expressed the opinion that no understanding on the execution of the peace treaty would be possible until Germany acknowledged her sole responsibility. I have deliberately avoided speaking here of the question of war guilt, because I am, on the contrary, of opinion that it would make an understanding more difficult. The Treaty of Frankfurt, in accordance with the old usage of peoples, laid the burden of the war, not on the guilty party, but on the vanguished. On the other hand, the Allied adversaries of France after the Napoleonic wars renounced the majority of payment of war costs without regard to the question of guilt. In point of fact, the question of war guilt can be decided neither by the treaty, by acknowledgment, nor by coercive measures. The last word on the subject of who bears the responsibility for the world war will one day be spoken in history. We are all of us still too near to the event. I have always been far from wishing to absolve the German Government of any responsibility for the war, but whether any single nation is guilty of this terrible war, and whether this would be exclusively the German people, has not been finally decided by the signing of the Treaty of Versailles.

For us, this treaty is valid, because we have put our signature to it. In doing so we have not only admitted that we have lost the war, but we have also signed a judgment. The president of the conference has laid stress on the fact that it is a chose jugée, but, as you know, any law reserves the possibility of invalidating even a chose jugée if the condemned party succeeds in furnishing new proof which would shake the foundation of the judgment.

I certainly admit that the president of the conference is right in that the condemned party has to obey the lawful judgment. It is legally decided that Germany has to make reparation according to the peace treaty for the damages caused by the war. I entirely agree with Mr. Lloyd George in the view that the world should realise as clearly as possible the extent of these damages, in order to wake on all sides the real and energetic determination to soften the distress consequent upon it, and to restore the destroyed values. I have myself travelled four times through a large part of the devastated areas in Belgium and Northern France. The sight is deeply touching. I am conscious of being in agreement with the large majority of my countrymen in the conviction that we must do our utmost to co-operate in the work of restoration. If we have not been able to contribute more than we have done

to the restoration of Belgium and Northern France, the reason has not been a lack of readiness on our part to do so. The working population of Germany is particularly alive to the feeling that they must assist the damaged inhabitants of the former hostile districts destroyed by our occupation. But this is a technical and social task of such immense difficulty that our proposal to meet it has, up to now, met with doubts and refusal rather than with approval. On the basis of the enquiries we have made in order to solve our own housing questions, we believe we are in a position to put before the Allied Governments new proposals which perhaps might serve to scatter those doubts. For the rest, I cannot help drawing attention to the powerful achievements which have already been made by Germany towards reparation and restoration. I grieve to state that these achievements are not being duly appreciated by public opinion in the Allied countries, and that it is still being asserted that Germany shows bad faith and avoids fulfilling the treaty. There may be disagreement as to the figures expressing the value of Germany's achievements, but no impartial critic could deny that, for a nation impoverished and exhausted by the war and the blockade, these achievements mean a vast exertion, and have been of material assistance in the restoration of the devastated areas.

In this connection Mr. Lloyd George has again emphasised that the burden of taxation was in Germany lower than in the Allied countries. This view seems to us to be based on a wrong method of calculating adopted by the Allied experts. One cannot compare the relative burdens of taxations per head of the population as computed in gold marks, with one another. Impoverished countries, it is self-evident, are only able to bear a lower quota per head than wealthy countries. One must rather compare the charge of taxation per head with the income per head. As a basis of this comparison I accept the figures given by the memorandum of the League of Nations.⁸ From them it follows that deducting taxation there remains an income per head of the population:—

						Gold marks.		
In England	•	•	•	•	•	•	1,387.5	
In France	•	•	•	•	•	•	702.5	
In Germany			•				330.0	

From this it clearly results that according to its economic capacity Germany has to bear the largest burden. I also refer to an official English source, the general report of the Department of Overseas Trade on the industrial and economic condition of Germany, in which it is stated that taxation in Germany takes away 43 per cent. of his income from each individual taxpayer. That the direct taxation in Germany would not bear further increase is acknowledged even by the Allies. The indirect taxes in Germany have for certain reasons (upon which I will not here enter into details, and which are

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⁸ The reference appears to be to the statistics compiled for the International Financial Conference held at Brussels, Sept. 24—Oct. 8, 1920, and printed for the League of Nations; see *International Financial Conference*, Paper No. IV, Public Finance.

⁹ Cmd. 1114 of 1921, p. 13.

exposed in detail in our memorandum)¹⁰ been hitherto somewhat lower than in many Allied countries, but the German financial administration intends to increase them heavily. But even such an increase will at present not be able to effect a surplus in the budget.

On this ground I should like to caution the Allies not to attempt by coercive measures to press more out of Germany than she can give having regard to her condition. Nor is the menace of sanctions justified by the provisions of the peace treaty, for only three of such provisions can serve as a starting point:—

First: Paragraph 18 of annex 2 to part VIII,

Second: The concluding sentence of article 429, and

Third: Article 430.

First of all none of these provisions permits the occupation of German territory outside the country west of the Rhine and the Têtes de Ponts. On the contrary according to article 429 only the evacuation of the troops from the occupied territory may be deferred in order to gain a guarantee against German attacks and according to article 430 evacuated territory can again only be reoccupied if Germany refuses to execute her obligation of reparation. Lastly, on paragraph 18, no right of occupying German territory can be based at all, as according to the whole context in which this paragraph occurs there is only a question of economic measures. The economic sanctions with which we are now threatened would according to paragraph 18 only refer to the case of non-execution of our reparation duty. The British Treasury has explicitly acknowledged this only recently.¹¹ This paragraph is not to be applied to defaults against provisions concerning war criminals or disarmament. A default against the German reparation debt is in our opinion not constituted. The term within which according to article 235 the amount of 20 milliards in cash or in kind has to be delivered to the Allies has not yet been reached (finished).12

According to our estimate the German payments and deliveries amount besides already to the above-mentioned sum. In any case there can be no question here of a deliberate default against the treaty. The non-execution of any further plan of payments can only lead to sanctions if this plan in accordance with article 232 of the peace treaty should have been arranged by the Reparation Commission.

Further the second sanction would be definitely in contradiction to the undertaking which the Belgian and British Governments have given in virtue of the resignation of their rights under paragraph 18 of annex 2 to part VIII.¹³

The measures whereby a lien will be put on part of the payments to be made to German nationals for goods delivered would not be applicable either

¹⁰ The reference was to Appendix 1 to No. 27; see No. 27, n. 5.

¹³ See Vol. X, No. 386.

in Belgium or, in so far as bank credits which have arisen from the sale of goods are concerned, in the United Kingdom.

In regard to the third sanction the erection of a special customs tariff in the Rhineland is only permissible under article 270 for the protection of the economic interests of the Rhineland population and not for the punishment of the whole German people in respect of unfulfilled treaty obligations.

On all those grounds the menace of sanctions cannot be based on the peace treaty. It is also in our opinion in contradiction to the pact of the League of Nations.

(I will permit myself to give the remainder of my legal remarks to the protocol in writing, and only state in conclusion that the menace of sanctions cannot be based on the peace treaty, and that it also is in contradiction with the League of Nations pact.) For according to article 17 of the League of Nations pact, in quarrels between members of the League of Nations and a State which is not a member of the League the procedure of arbitration provided for by article 15 should also be applied. Germany is not a member of the League, but she has signed the pact of the League, and I therefore announce in the name of the German Government an appeal to the League of Nations against the sanctions with which we were menaced.

Mr. President and Gentlemen, I come to my conclusion now. More important for me than the question of right is the reflection that any sanction, if it fails to attain its purpose, must call for new sanctions, and so, finally, instead of executing the peace treaty, lead up to preparing a new state of force. But we all of us very badly want to get out of the unhealthy atmosphere of coercion and force and into the wholesome atmosphere of voluntary cooperation. Mr. Lloyd George has said that it is not the intention of the Allies to annihilate and enslave Germany, but that rather they recognise in a restored and flourishing Germany a condition of their own welfare. These gratifying words meet with a lively echo on our side. We are likewise conscious that Germany cannot reckon on the restoration of her own destroyed economic life so long as her former adversaries have to suffer so immensely under the consequences of the war. However the question of war guilt may be decided, we are all in a common distress which can only be removed by a common effort. Believe me that Germany is ready to exert herself more than the others.

We beg the Allied Powers to help us find a way of paying them the amounts demanded. We believe that the manner of our payments should be examined separately for each of the Allied countries. Perhaps we shall have to adopt different methods of balancing payments in cash and payments in kind or labour to France as compared with England and to Belgium as compared with Italy. We shall also have to examine how far the demands which other Powers which are not parties to the peace treaty can put to us will have to be considered in our agreement with the Allies.

All these questions in order to be practically solved require being thoroughly studied by technical experts to be appointed from both sides. I hope that the joint labours of these authorities in the economic life of Europe may succeed in finding a way out of the labyrinth of grave economic difficulties under which we all of us jointly struggle.

*14MR. LLOYD GEORGE: I should like to ask Dr. Simons a few questions in order that there may be no misunderstanding. Do I understand that your first proposition, i.e., that you will accept the Paris figures for the first five years includes the 12 per cent. export tax?

Dr. Simons: Yes, or its equivalent.

MR. LLOYD GEORGE: But this is subject to a favourable plebiscite in Upper Silesia?

Dr. Simons: Yes.

MR. LLOYD GEORGE: So that if the plebiscite goes against you, your proposals fall to the ground?

Dr. Simons: Yes.

MR. LLOYD GEORGE: After the five years have elapsed there is no agreement?

Dr. Simons: No, but we are ready to find one.

Mr. LLOYD GEORGE: But this agreement is to be made at the end of five years?

Dr. Simons: No, now if possible—as soon as possible.

MR. LLOYD GEORGE: There is no proposal for a guaranteed minimum? DR. SIMONS: For the moment we could not make one. We must examine it.*14

MR. LLOYD GEORGE: It is now half-past 1, and although I am afraid I must tell Dr. Simons that there is no doubt as to the answer which the Allies must be forced to give, I think it is desirable, in view of the great gravity of the decision, that we should give a reasoned answer to his carefully prepared and clear statement. The interval will also enable us to read the full report of his statement. I therefore propose that we should now adjourn until 4.30 p.m.

Lancaster House, S.W., March 7, 1921.

14 The passages between the asterisks are not in the texts printed in the German White Book, see n. 1 above.

No. 44

I.C.P. 177A] Minutes of a Conversation between the Heads of Governments held at Lancaster House, on Monday, March 7, 1921, at 1.40 p.m.

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister (in the Chair); The Rt. Hon. the Earl Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; The Rt. Hon. A. Chamberlain, M.P., Chancellor of the Exchequer; The Rt. Hon. Sir L.

Worthington-Evans, Bt., M.P., Secretary of State for War; EXPERTS, The Rt. Hon. Lord D'Abernon, G.C.M.G., British Ambassador in Berlin; Mr. Kerr; SECRETARIES, Sir M. Hankey, G.C.B., Major Caccia; INTERPRETER, Major Ottley.

France: M. Briand, M. Doumer, M. Loucheur, M. Berthelot; SECRETARY, M. Massigli.

Italy: Count Sforza, Signor Meda.

Japan: Baron Hayashi.

Belgium: M. Jaspar, Colonel Theunis.

INTERPRETER: M. Camerlynck.

M. Briand thought that after Dr. Simons's declaration there was nothing to do but to act. He was clear that the German Government was not in a position to make a decision without pressure.

COUNT SFORZA said that Dr. Simons's declaration confirmed what he had always thought. The legal position of the Allies was weak, but their political situation was strong.

MR. LLOYD GEORGE was of opinion that as things were it was impossible to wait until the 1st May before applying the sanctions. There was nothing to do but to go on.

M. JASPAR entirely agreed with M. Briand's point of view.

MR. LLOYD GEORGE said that he felt compelled to say that he would require his colleagues to assist him to supply the necessary material for the statement which he would have to make that afternoon. M. Loucheur and the Chancellor of the Exchequer had already made certain suggestions to him. Nevertheless, he felt inclined to agree with Count Sforza that the Allies' position was somewhat weak. On the other hand, they had taken the leap, and it would be impossible to retrace their steps. In his opinion the Allies' case was weak because no statistical account of the total amount required as reparations had been prepared and submitted in accordance with the provisions of the treaty of peace. That is to say, the Allied Powers sought to proceed with the execution of the sentence before the accusations had been heard.

M. Briand, intervening, said that he thought the indictment had been very strongly set forth by Mr. Lloyd George last Thuisday.²

MR. LLOYD GEORGE could not agree that Thursday's indictment had strictly complied with the legal requirements of the case. He wished, however, to feel certain that the Allies were asking nothing unreasonable from Germany, and he appealed to his French colleagues to consider the question from that point of view. He fully realised that the devastated areas of France appealed to the French people; each Frenchman looked on the devastated area as a personal injury—a black eye caused by a blow delivered by Germany. But the same feeling did not wholly exist in Great Britain or in Italy, and certainly not in the United States of America.

¹ See No. 43. ² March 3; see No. 31.

It was most important, therefore, to make clear to the world that the Allies' case was indeed substantially good, though perhaps technically weak. The Allies must have on their side the opinion of the civilised world, and feel thereby forced to take up the challenge thrown down by Dr. Simons. He did not consider it necessary to make a laboured reply, but he desired to collect the two or three very salient points which would affect public opinion. He would, therefore, ask M. Loucheur and the British Chancellor of the Exchequer to do this in readiness for this afternoon's meeting, and perhaps Count Sforza would make suggestions from the Italian point of view.

The Allies were about to take very stern action, and it was essential, in his opinion, that they should have very good reason for doing so. He, personally, did not feel altogether sure of the result of the contemplated action. It might be found to be correct, and Germany might as a result resign herself to her fate. But, if she did not do so it would be necessary to proceed further, and public opinion might then be found to be somewhat cooler. Therefore, a very definite strong case must be prepared.

M. Jaspar desired to make two observations. He found that Mr. Lloyd George had the other day fully established the fact, from a judicial point of view, that Germany had attempted to destroy the foundation of the treaty of peace by denying her responsibility for the war. In his opinion, that constituted a refusal to carry out the treaty. Furthermore, he felt sure that the world would without question thoroughly understand that Germany, in putting forward unreasonable proposals, had intended them to be interpreted as a rejection of the treaty. For these two reasons he maintained that the technical position of the Allies was not bad.

M. Doumer held that Mr. Lloyd George's stat[e]ment that Germany had defied the Allies was fully justified. In his opinion, the statement made by Dr. Simons constituted a threat and a negation of the treaty. Further, he desired most particularly to invite attention to the statements made by Dr. Simons to the effect that the chose jugée could always be revised. That statement obviously implied that Germany could hereafter at any moment refuse to accept to-day's peace settlement. He desired to draw special attention to the refusal of the Germans to engage themselves for more than five years. This threat was very significant. It meant that the day Germany felt herself strong enough she would tear up the treaty.

(The meeting then adjourned.)

No. 45

I.C.P. 178] British Secretary's Notes of an Allied Conference held at St. James's Palace, London, S.W. 1, on Monday, March 7, 1921, at 4.30 p.m.

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister (in the Chair); The Rt. Hon. A. Bonar Law, M.P., Lord Privy Seal; The Rt. Hon. the Earl Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; The Rt. Hon. A. Chamberlain,

M.P., Chancellor of the Exchequer; The Rt. Hon. Sir L. Worthington-Evans, Bt., M.P., Secretary of State for War; experts, The Rt. Hon. Lord D'Abernon, G.C.M.G., British Ambassador in Berlin; Sir John Bradbury, G.C.B., British Representative on Reparation Commission; Mr. Blackett, Treasury; Mr. Kerr, Mr. Vansittart; MILITARY EXPERTS, Field-Marshal Sir H. H. Wilson, Bt., G.C.B., D.S.O., Chief of the Imperial General Staff; Major-General Sir W. Thwaites, K.C.M.G., C.B., Director of Military Intelligence; Major-General the Hon. Sir F. R. Bingham, K.C.M.G., C.B.; SECRETARIES, Sir M. Hankey, G.C.B., Mr. St. Quintin Hill; INTERPRETER, Major Ottley.

France: M. Briand, M. Doumer, M. Loucheur, M. Berthelot; EXPERTS, M. Laurent, M. Seydoux, M. Fromageot, M. Cheysson, M. Aron, M. de Felcourt, M. Cateron; MILITARY EXPERTS, Marshal Foch, O.M., G.C.B., General Weygand; SECRETARIES, M. Massigli, M. Brugère, M. Chastenet.

Italy: Count Ssorza, Marquis della Torretta, Signor Meda; experts, Comm. d'Amelio, Comm. Giannini, Signor Galli; secretaries, Signor Ricotti, Comm. Sigismondi.

Japan: Baron Hayashi, Mr. Nagai; experts, Mr. Kengo Mori, Mr. Debuchi, Mr. Arai; military experts, General Watanabe, General Itamy; secretaries, Mr. Saito, Mr. Yoshizawa.

Belgium: M. Jaspar, Colonel Theunis, Baron Moncheur; EXPERT, M. Delacroix; MILITARY EXPERTS, General Maclinse [Maglinse], Colonel Tasnier; SECRETARIES, Viscount Davignon, Viscount Terlinden.

INTERPRETER: M. Camerlynck.

GERMAN DELEGATES: Dr. Simons, Herr Bergmann, Herr Lewald, Herr von Le Suire, General von Seecks [Seeckt], Dr. Schröder, Dr. von Simson, Dr. Sthamer; EXPERTS, Dr. von Kauffman, Staatsrat Excellenz von Meinel, Regierungsrat Fellinger; secretaries, Dr. Koepke, Regierungsrat Feldbansch, Baron Plessen, Captain von Goldammer, Dr. Hans Volckers; interpreters, Dr. Brin[c]kmann, Dr. Ill[i]ch.

MR. LLOYD GEORGE: Dr. Simons and Gentlemen:—I very much regret that I have to state on behalf of the Allied Governments that not only the proposals made by Dr. Simons this morning¹ are not acceptable, but that in spite of the interval which has occurred since our last meeting they do not represent such an advance upon the first proposals² as to justify us in postponing the execution of the sanctions.³ I need hardly say that we all very deeply deplore having to come to this decision in the interests of the peace of the world, and in spite of the fact that our action was liable to a good deal of misapprehension in our own countries; we made an effort to secure a better understanding, and it is not for lack of effort and discussion that I have now to announce on behalf of the Allies this failure to come to anything like an approximate understanding with Germany.

¹ See No. 43. ² See No. 27, Appendix 3.

³ For the sanctions concerned, see No. 30, p. 257, and No. 31, n. 7.

I will now indicate as shortly as I possibly can why we regard Dr. Simons's last proposals as inadequate. It is common ground to all the parties concerned that it is essential in the interests of the peace of the world that there should be a definitive settlement of the outstanding questions between us. Germany urged it. The Allies pressed the same consideration. And the neutrals were equally insistent. In fact, the friends of peace throughout the world said to us: 'Settle up as soon as you can the amount of your liabilities so that every country should know exactly where it stands.' Germany appealed to us to do so, and for obvious reasons. Germany said: 'How can we settle down to our business to rebuild our economic life when there is an indefinite unknown liability hanging over us?' Quite right. The Allies said: 'How can we restore devastated provinces unless we can make some kind of a plan, some kind of a scheme, unless we know something of the resources at our disposal?' So it suited them. And the neutrals said: 'How can we trade with either Germany or with the Allies until we know what their financial position is?' Therefore, all those who are responsible for the direction of the affairs of a very shaken, distracted and uncertain world said: 'Do settle once for all what your differences are and let us know the worst.' It was an appeal to common-sense. It is perfectly true, experts failing to come to an agreement made some suggestion about trying to agree for five years.4 but that was not a plan which was adopted by any conference of statesmen in either country. For the reasons which I have indicated, we wanted each of us to know exactly where we stood so as not to be building on a rocking foundation, but on something which, however low it was, was firm and which touched bottom.

Now I am going to examine Dr. Simons's proposals in the light of what I consider to be the paramount interest of Germany, the Allies, the neutrals—in fact, the whole people of this world, and it is in the light of that examination that I think they completely fail, and until we get proposals from Germany that will mean a definite unchallenged settlement, there can be no peace between us.

What is Dr. Simons's proposal? There is an appearance of accepting the Paris proposals for five years, and five years only. But that is apparent, and not real. It is subject to conditions which make it uncertain, which might terminate it in the course of the next few weeks. It is subject to the plebiscite in High Silesia. If the plebiscite in High Silesia, or in part of it, is adverse to Germany, Dr. Simons, if we accepted his proposal, would be perfectly justified in coming here and saying: 'The situation has changed; Germany has been deprived of the territory upon which she depended to pay those annuities, and therefore the arrangement which I made in London is at an end.' That is, it is not a proposal for five years: it is a proposal for five weeks. It is subject to other conditions which I do not want to dwell upon at the present moment because they have not been elaborated; proposals with regard to guarantees for German trade—I do not examine those now because

the first condition is in itself a complete demonstration of the fact that so far from settling anything we are unsettling; we are not looking ahead a couple of months, let alone five years. Then what happens after the end of five years? Supposing High Silesia voted in favour of remaining in Germany; supposing we were ready to accept the conditions about German trade, and all went well for five years, what happens afterwards?

After the five years we have no proposal; not even a conditional one; not a figure. Not even a precise method of arriving at a figure. There is no minimum even. It is perfectly vague. There is nothing the Allies—especially those who want to raise money for repairing their ravaged country—there is nothing they could raise one paper franc in the market upon in the proposals made, not one; letting alone a gold mark. There are some indications which are disquieting; for instance, it is part of the five-year proposals that Germany should pay even the low figures fixed for the annuities for those five years, not out of her current revenue, but by means of a loan—she is to borrow. By borrowing she mortgages her future. She will borrow—must necessarily borrow—with a guarantee of priority for those who lend even over reparations. So that what happens after the five years is that Germany, not anticipating that she will be able to pay out of her current revenue for the first five years, will mortgage her income for the years that come after in order to pay the annuities of the first five. Now, that is the only indication of what is in the German mind as to what is likely to happen after five years. There is no other test; there is no other promise; and there is only one certainty. We have been asking for some sort of certainty—there is only one certainty, and that is the certainty that it will be inadequate.

But there are certain significant sentences used by Dr. Simons which show clearly that Germany has not yet faced her problem. He talked about the enormous sacrifices which are to be necessary for Germany to make in order to pay the annuities for the first five years. Let me give the case of Great Britain and France. Even if High Silesia is torn entirely from the side of Germany, Germany will have a population which will be 10 millions in excess of Great Britain, even if you include Ireland. This year we have about a little over one million unemployed here. That is the direct result of the war, but we have to find for paying our debt charges and for pensions and disability allowances 500 million sterling. If Germany carries out this year the Paris proposals she will have to find 120 million sterling, not for Great Britain, but for all the Allies—one-fourth of what Britain alone has to find with a million unemployed for war debt charges and for pensions. The case of France is more striking. France, in addition to her war charges and her very heavy pension list, has to find 12 milliards of francs for repairing her devastated area. She must find it this year somewhere or leave these provinces unrestored. Germany would have to find, therefore, this year oneninth of what France has to find; one-ninth for the whole of the Allies of what France has to find herself for the charges of the war, and we are told that the effort Germany puts forth with her 55 millions as against France with 42 or 43 millions is a colossal sacrifice. It shows that Germany has not yet

quite realised the essential facts of the situation, and that has impressed me more each time I have attended these conferences and heard these proposals being made.

I am quite prepared to make an allowance for the difficulty of paying beyond the frontiers. That is not a question of sacrifice, that is a difficulty of currency that can easily be overcome by any well-thought-out arrangement for deducting from the price of German sales to Allied countries a proportion of the purchase money. The other very significant part of Dr. Simons's speech, in view of the character of the proposals, was his refusal to accept on behalf of Germany the responsibility for the war, which is the very basis of the Treaty of Versailles. Not only did he refuse to accept that basis, but he appealed to history for a revision of the sentence. When does history begin? When I see a proposal limited by five years it leaves an uneasy feeling in my mind that there is an inclination in Germany to consider the possibility of history beginning five years hence, and an appeal for the revision of that sentence being one of the considerations to be examined at the end of this short period. The Allies cannot possibly enter into any discussions upon that basis. The responsibility of Germany for the war is, with them, fundamental. The whole Treaty of Versailles depends upon it, and unless Germany whatever she may think of the verdict—is prepared to act upon it, then no arrangement which is made can give confidence between the parties and restore that atmosphere of neighbourly goodwill which is essential to the peace of Europe.

The Paris proposals represented a considerable abatement of the full claims of the Allies, but that abatement was made in order to ensure a settlement. As I have already indicated to Dr. Simons, on behalf of the Allies, we are willing to discuss with Germany the length of the period of the annuities. We are willing to discuss with Germany any other method besides the 12 per cent. for adjusting the annuity to German prosperity. But we must insist on a settlement now of two questions. The first is the amount of the payments, or the factors which should determine those amounts automatically according to the prosperity of Germany. What those factors should be we are prepared to discuss. Whether the index of German prosperity should be 12 per cent. on her imports [? exports], or some other method of arriving at that essential element, that we are prepared to discuss, but we must have something that will either determine the amount or determine the index which will settle the variable amount.

The second point upon a settlement of which we must now insist is the method of payment. A mere paper agreement promising payment is unsatisfactory and insufficient. It means endless disputes. We must arrange now how the money is to be paid, so that there should be no possibility of further discussions or quarrels. We have plenty of paper money in our various countries, and we do not further want to dilute our currency with paper promises. These are the two questions which must be settled between Germany and ourselves, and settled immediately.

5 See No. 31.

The proposals put forward by Dr. Simons do not carry out any of these objects. They are neither the Paris proposals nor their equivalent. I am afraid, and Dr. Simons will forgive me for saying this, he is not really in a position to negotiate. He represents, and he is returning to report to, a public opinion which is not ready to pay this debt. In the interests of the Allies, in the interests of Germany, in the interests of the world, we must have a settlement, we must have a definite settlement, and we must have an immediate settlement. Proposals such as these which we have heard are not a settlement. They simply evade and postpone settlement, and very regretfully we have come to the conclusion that the sanctions must be put into operation immediately.

DR. SIMONS: If I am expected to make a short statement in reply to what Mr. Lloyd George has said, may I ask permission to retire, with the members of my delegation, for a short deliberation?

MR. LLOYD GEORGE: Yes, certainly. How long do you think you will want?

Dr. Simons: About a quarter of an hour.

(The German delegation then withdrew.)

The conference resumed its sitting at 6.5 p.m.

DR. Simons: Mr. President and Gentlemen:—I must regret that to-day again the object of the new German proposals has been misunderstood. For us, just as for you, the disadvantages of a provisional settlement are beyond doubt, and we have only suggested this five-year provisional settlement under pressure of your ultimatum which ended to-day, because, we believed, it necessitated our submitting a definite proposal. We should have preferred to see a plan of a total arrangement, and therefore we originally submitted such a plan. Even now we should much prefer a plan for a total arrangement, but we had no second proposals in our pocket, and after the refusal of the first we had to try and find a new way, a way which we have striven to find both here in the delegation and in Berlin in the Cabinet. We have been charged, and I have acted according to this charge, to ask the conference for a brief delay in order that we might get into touch with the Cabinet on the subject of a comprehensive settlement.6 I would point out that no attention was paid to this German suggestion. This fact alone makes it clear that the fear is unfounded that we should want to make use of the provisional settlement to effect on its expiration a revision of the peace treaty.

On the contrary, the German people has undertaken the obligation of making reparation, and it is ready to fulfil the whole of this obligation to the limits of possibility. We are, therefore, ready to enter upon the idea of the president of this conference in accordance with which the Allied Governments would be given the right to seize part of the purchase price which buyers in Allied countries have to pay in respect of goods imported from Germany, so that this part may be handed over to the Treasury and reckoned against reparation accounts.

⁶ See No. 42, Appendix, last paragraph.

I have recommended this proposal to my Government for consideration, and I only regret that this proposal should have been discredited in the public opinion of Germany by having been placed among the 'sanctions.' We entirely agree with the president of the conference also on the point that it is now a question of determining as quickly as possible the fixed sum to be extracted from Germany, and also what the factors of the variable payments are which Germany would have to make towards reparation in the event of the resuscitation of her economic life. We further agree to the setting up of an examination as to how Germany can make the fixed and variable payments to the separate countries. In our opinion—and we believe that in this the president of the conference will agree—a joint committee of experts should deliberate on all these points as soon as possible. It is a pity that if these experts met they should find an atmosphere which has been considerably embittered by putting the sanctions into force.

I feel it my duty to again protest with all emphasis against the sanctions which are at this moment being definitely put into force against us.

(The proceedings then terminated.)

St. James's Palace, March 7, 1921.

No. 46

1.C.P. 179] British Secretary's Notes of a Meeting held in St. James's Palace on Monday, March 7, 1921, at 6.15 p.m.

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister; The Rt. Hon. A. Bonar Law, M.P., Lord Privy Seal; The Rt. Hon. the Earl Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; The Rt. Hon. A. Chamberlain, M.P., Chancellor of the Exchequer; The Rt. Hon. Sir L. Worthington-Evans, Bt., M.P., Secretary of State for War; Field-Marshal Sir H. H. Wilson, Bt., G.C.B., D.S.O., Chief of the Imperial General Staff; Sir M. Hankey, G.C.B.

France: M. Briand, M. Loucheur, M. Doumer, M. Berthelot, Marshal Foch, O.M., G.C.B., General Weygand, M. Massigli, M. Camerlynck.

Belgium: M. Jaspar, Colonel Theunis, General Maclinse [Maglinse].

Italy: Count Sforza, Signor Meda.

Japan: Baron Hayashi.

Discussion in regard to the Air

Marshal Foch said he wished to take advantage of the assembly of all the air experts in order to have a full exploration of the air régime under the presidency of the Air Minister.

MR. LLOYD GEORGE said he was quite content that such enquiries should be made, but for the moment the Allies had other matters under consideration.

It was agreed—

To invite the air experts to consider the measures to be taken to assure the regulation and control of aeronautical manufacture in Germany.

Measures for Enforcing the Sanctions against Germany

MR. LLOYD GEORGE asked Marshal Foch how soon the troops would be ready to march.

MARSHAL FOCH said that a telegram would go at once, and that the troops would march probably to-morrow, but if not to-morrow, certainly the day after.

MR. LLOYD GEORGE said he thought it would be best to begin the occupation at once, but take a little time over the measures in regard to customs. He had received a very strong protest against the proposed arrangements in regard to the proposal of the customs from Coblenz. He was told that to make these effective it would be necessary to occupy a large part of the Ruhr. He hoped, therefore, that the Allies would agree to start with a military occupation, and proceed later to the sanctions relating to customs.

MARSHAL FOCH said there was no immediate question of establishing the new custom-houses in the towns about to be occupied, but only in Cologne, Coblenz and territories already occupied.

MR. CHAMBERLAIN hoped that the High Commission of the Rhine would be instructed to examine the matter in full detail.

MR. LLOYD GEORGE hoped that the occupation would be carried out first, that a little time would be given for the further consideration of the customs proposal, and that the High Commission would be instructed to study it.

M. DOUMER said it had already been studied.

MR. CHAMBERLAIN said it had not been studied by the High Commission as a whole. The British High Commission, for example, had not participated in the study.

M. Briand said the proper course is to instruct the High Commission to report, and to put on paper a clear scheme in black and white.

COUNT SFORZA said that if there was to be a little delay, as there was no Italian representative on the High Commission, since Italian troops did not participate in the army of occupation, it would be useful to his Government to consider whether they should associate a representative with the High Commission.

- M. Doumer agreed that the sanction relating to customs was neither so simple nor so rapid in application as the military sanction.
- M. Briand said that the High Commission should at once be prepared to study and examine the question.
- Mr. Chamberlain agreed that the question should be discussed by the High Commission before it could be usefully discussed here.
- M. JASPAR, referring to Marshal Foch's statement that the troops would march to-morrow or the day after, said that the Belgian Minister of War

was coming to London, and there would be advantages in delaying until the day after to-morrow.

Mr. Lloyd George agreed that it was important that all the flags should be represented, and suggested that on the arrival of the Belgian Minister of War the question should be studied by the military experts.

FIELD-MARSHAL WILSON said that co-operation in detail had already been arranged.

Marshal Foch said it was impossible to arrange every detail in London. For example, it could not be said in London what troops should occupy Duisburg or Düsseldorf. All this had been arranged in Paris by General Degoutte, who had been assisted by a British and Belgian officer. He was informed that they would be ready to start to-morrow or the day after.

It was agreed—

Commission.

That the president of the conference should send an instruction to the president of the Rhineland Commission, directing that commission to study the sanction relating to customs.²

- ¹ Commander-in-Chief of the Allied forces of occupation in the Rhineland.
- ² For this instruction, see Appendix below.

APPENDIX TO No. 46

Earl Curzon to the British High Commissioner, Rhineland3

(Telegraphic.)

FOREIGN OFFICE, March 7, 1921

Please communicate the following officially from Mr. Lloyd George, as president
of the Inter-Allied Conference sitting in London, to the president of the Rhineland

Commission:—

'This afternoon it was decided by the Allies to apply certain sanctions to Germany in view of the failure of the German Government to accept the Paris decisions in regard to reparations or to make a satisfactory offer. Among the

- sanctions is the following:—
 '(a) The amount of the duties collected by the German custom-houses on the external frontiers of the occupied territories to be paid to the Reparations
- '(b) These duties to continue to be levied in accordance with the German tariff.
- '(c) A line of custom-houses to be temporarily established on the Rhine and at the boundary of the Têtes de Ponts occupied by the Allied troops; the tariff to be levied on this line, both on the entry and export of goods, to be determined by the Allied High Commission of the Rhine territory in conformity with the instructions of the Allied Governments.

"The High Commission of the Rhineland is invited to study the application of this sanction, and to present an immediate report to the Allied Governments."

³ This telegram was despatched as No. 13 to Mr. Robertson (Coblenz) on March 7 at 9.30 p.m. It was marked 'Very urgent'.

I.C.P. 180] British Secretary's Notes of an Allied Conference held at 10, Downing Street, London, S.W. 1, on Wednesday, March 9, 1921, at noon

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister (in the Chair); The Rt. Hon. the Earl Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; The Rt. Hon. A. Chamberlain, M.P., Chancellor of the Exchequer; POLITICAL EXPERTS, Mr. Vansittart, Sir F. Liddell, K.C.B., Sir S. J. Chapman, K.C.B., C.B.E.; SECRETARIES, Sir M. Hankey, G.C.B., Mr. Howorth, Mr. St. Quintin Hill.

France: M. Briand, M. Loucheur, M. Berthelot; MILITARY EXPERTS, Marshal Foch, O.M., G.C.B., General Weygand; SECRETARIES, M. Massigli, M. Chastenet.

Italy: Count Sforza, Signor Meda; experts, Comm. d'Amelio, Comm. Giannini; secretary, Signor Galli.

Japan: Baron Hayashi, Mr. Nagai; experts, Mr. Kengo Mori, Mr. Debuchi; secretary, Mr. Saito.

Belgium: M. Jaspar, Colonel Theunis; EXPERT, M. Delacroix; SECRETARY, Viscount Davignon.

INTERPRETER: M. Camerlynck.

The Application of Sanctions to Germany

Mr. LLOYD GEORGE said before the conference came to an end two questions would have to be disposed of: firstly, the German position, and secondly, the outstanding Greco-Turkish questions. He suggested that the meeting should now consider the situation as regards Germany in the light of the action which had already been taken and then decide on what the next step should be. The British Government had already initiated preliminary measures with regard to the application of part of the purchase price of imported German goods towards the discharge of Germany's reparation obligations, and in a few minutes he hoped to be in a position to submit to the meeting the draft of a Bill which it was proposed to lay before the House of Commons to-morrow. He had not thought it desirable to summon a meeting of the conference yesterday, because he had thought it better to wait and see what happened in Germany after the receipt of the news of the decisions taken by the Allies. The fact that M. Gounaris¹ would not arrive until to-night had made it undesirable to have any discussion with the Greek delegates yesterday. He would be glad to know whether there was any recent information from Germany.

M. Briand said that there was nothing very much to report. The occupation of the three German towns had taken place yesterday, as arranged, and had been completed in a most satisfactory manner and without the slightest

¹ Greek Minister of War.

hitch. All that now remained to be done was for the Allies to see what effect was produced on the German Government and the German people by the imposition of the penalties. He, himself, thought that the effect would be a wholesome one. (Mr. Lloyd George signified his assent.) He (M. Briand) had observed that Mr. Lloyd George had informed the House of Commons that he would be introducing a Bill to deal with the purchase price of imported German goods.² He (M. Briand) wished to take similar action in the French Chamber, and would be much obliged if he could be supplied with a copy of the Bill.

MR. LLOYD GEORGE said that the Bill would be ready in a few minutes. To-morrow it would be possible to gauge the kind of reception which the Bill was likely to receive. At the present moment, the British Labour Party and the Liberals who followed Mr. Asquith, all of whom would normally be inclined to take a somewhat pacifist attitude, were not opposing this particular penalty. The Labour Party were, however, meeting to-night and the line that party would adopt towards the Bill would be definitely known after the meeting, and would no doubt have some influence on the line which the French Socialist Party would take.

M. Briand said that in view of the blunders committed by the German Government, the French Socialists were not likely to object to the imposition of this particular sanction, which they realised was now inevitable. He did not, therefore, contemplate that there would be any serious resistance in the French Parliament to the proposed legislation. He wished to add that the more he pondered over the events of the last two days, the more convinced he was that the Allies had adopted the right policy, and the only policy which could give effective results. He was more than ever satisfied that the result of the imposition of the sanctions would be that Germany would speedily bring forward some satisfactory solution.

Mr. Lloyd George confessed that he did not feel very hopeful as regards the general situation, and he felt bound to take into account the very great practical difficulties which still confronted the Allies and the different points of view taken by public opinion in Great Britain and in France. Apart from the very real difficulties in the way of a satisfactory settlement there was also at the moment an enraged public opinion on each side. He was disposed to think that if there could be a conference the delegates at which were real plenipotentiaries empowered to bind their respective countries a settlement could be reached. It was inevitable that later on practical measures would have to be discussed and it would then be said that the Allies were weakening and making various concessions. As an example of the misleading views held outside he instanced various articles in the French press which had represented that the Allies were demanding 30 per cent. plus the fixed annuities, and that this represented a falling away from the Paris Agreement. It was impossible to know how misleading information of this kind could be dealt with.

² See 139 H.C. Deb., 5 s, col. 134 (March 7). This information was repeated on March 10, see ibid., col. 757.

M. Briand said that it was quite true that the newspapers did not, in the least, understand the situation. He himself had been silent on the subject and had been severely mishandled by the French press in consequence. He had no idea as to the source which had inspired the articles referred to, and had he taken steps to correct the erroneous news, he would have felt obliged to disclose particulars which he had undertaken not to publish. Now that the sanctions had been applied, public opinion in France was satisfied and the storm had subsided. He felt no doubt that when, on his return, he explained the situation to the Chamber misunderstandings and misconceptions would be entirely removed.

MR. LLOYD GEORGE remarked that yesterday he had requested the Chancellor of the Exchequer to ask the Treasury officials to get in touch with British importers of German goods and acceptors of German bills with a view to ascertaining the feeling in the city towards the proposed legislation.

MR. CHAMBERLAIN said that the interests in question had given a very friendly and very encouraging reception to the Government's proposals.

M. LOUCHEUR remarked that similar action would be taken by him on his return to Paris.

M. Jaspar said that the steps to be taken by the Allies as a means of securing payment seemed to him in order, but it would be necessary to consider the action to be taken in the event of Germany adopting countermeasures, by which he explained he meant compulsory diversion into the German Treasury of a proportion of payment due from German purchasers of Allied goods. Owing to her geographical position, Belgium might be seriously affected by retaliatory measures of this kind.

MR. LLOYD GEORGE remarked that unfortunately Great Britain was unable to sell very much to Germany. Great Britain would certainly collect her share, as proposed, but if Belgium found it desirable to take some other measure it would be open to her to do so.

COUNT SFORZA informed Mr. Lloyd George that he had not as yet received the observations of the Italian Government on the action taken by the Allies.

Mr. Lloyd George informed the meeting that Lord D'Abernon had spoken to Dr. Simons before the latter's departure for Germany, and had gathered that Dr. Simons thought it possible that there might be a change of Government in Germany. If Herr Helfferich³ took office the Government would be formed from the parties of the right. If, on the other hand, Herr Hermann⁴ took office a moderate and conciliatory policy might be expected. On the whole, however, Dr. Simons seemed to think that he could maintain his position.

M. Briand remarked that Dr. Simons would probably remain in power, and that if this was his object it was not difficult to understand why he assumed a somewhat indifferent attitude towards the sanctions.

MR. LLOYD GEORGE reminded the meeting that Dr. Simons had warned

- 3 Minister of the Interior 1916-18, and a leader of the German National People's party.
- 4 Presumably a reference to Herr Hermann Müller, German Chancellor, March-June 1920, and a leader of the Majority Socialist party.

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the conference of the impossibility of estimating the ultimate effect and consequences of the employment of the sanctions, which he (Mr. Lloyd George) felt was very true.

(At this point Sir Frederick Liddell⁵ entered the meeting with copies of the draft Bill.)

MR. LLOYD GEORGE said that there was one important question raised in the draft Bill which particularly concerned countries like Belgium and Switzerland and this question was: What in effect are German goods? The difficulty arose in connection with commodities which were only partially manufactured in Germany and then exported, the final processes of the manufacture being carried on in other countries. For example, Germany might export steel billets to be converted into rails in France or Belgium. In a case of this kind how was the duty to be calculated? This was a question which it was essential that the Allies should settle among themselves.

M. Briand said that the French experts had devoted considerable attention to this particular aspect of the problem and he on the whole was disposed to favour some kind of an arrangement under which, in the case of goods partially manufactured in Germany, the value of the goods should be taken to be that part of the value attributable to the German manufacturer.

MR. LLOYD GEORGE said that there were two possible alternatives. The Allies could either impose the arrangements on goods partially manufactured or produced in Germany where less than 25 per cent. of the value of the goods is attributable to manufacture or production in a country outside Germany; or alternatively M. Briand's plan could be adopted. The draft Bill contained both methods, and it would be for the meeting to decide which one to adopt.

M. LOUCHEUR thought that M. Briand's scheme would be very complicated and difficult to work. He would prefer a plan on the lines indicated by Mr. Lloyd George, but he thought that the plan should apply in all cases where 60 per cent. or more of the value of a finished article was attributable to German origin rather than the 75 per cent. in the British proposal.

MR. LLOYD GEORGE reminded the meeting that the delegation were dealing with an entirely novel proposition and that it was certain all kinds of difficulties would arise which could not be provided for in advance. It was, therefore, proposed to insert provisions in the Bill setting up a committee which would include practical business men, which committee should have wide powers to make regulations to meet the varying circumstances from time to time. He thought it most desirable that the Allies should agree on the same percentage and he would be glad to know why M. Loucheur preferred 60 per cent. rather than the British 75 per cent.

M. LOUCHEUR agreed with Mr. Lloyd George, but he reminded the conference that after the war, the figure 60 per cent. had been adopted in connection with the scheme of certificates of origin. This percentage was necessary to permit certain finishing work being undertaken outside Germany

⁵ First Parliamentary Counsel.

with an adequate margin of profit. One could not for example kill Swiss industries.

MR. LLOYD GEORGE remarked that the real test in this matter might be taken to be the steel billets. These billets cost £12 10s. per ton and an additional £5 represented the cost of manufacture of steel rails, making £17 10s. a ton in all. Was it suggested that if Great Britain or France, as the case might be, purchased steel billets and then manufactured rails from them that the ultimate purchaser was not to be affected by the arrangement inasmuch as the proportion of value of the finished article attributable to the German manufacture was not 60 per cent.?

M. LOUCHEUR thought that the example taken was a very interesting and important one, and he felt bound to say that in a case of steel billets it would be necessary to regard them as coming from the transforming country.

MR. LLOYD GEORGE pointed out that in this event the 60 per cent. was too low, whereas the 75 per cent. would effect what the Allies had in mind.

M. Briand then remarked that the differences in the various commodities made it essential, if practical results were to be attained and criticisms avoided, that there should be a scale of rates applied to the different commodities.

M. LOUCHEUR said that the French delegates had studied the subject and would be able to give the British delegates information from the point of view of certificates of origin as soon as this information could be obtained from Paris.

COLONEL THEUNIS thought that it was impossible to decide technical details at the meeting. He thought that the proposed legislation should be in as general terms as possible, all details to be left by the legislature to a committee which might be either national or inter-Allied.

MR. CHAMBERLAIN read a proposed clause 4, which gave considerable latitude to the Government to act on the advice of a committee not only as regards the categories of commodities, but as regards rates of duty.

M. LOUCHEUR said that this was exactly what the French delegation would like to see put into effect.

MR. LLOYD GEORGE enquired whether Count Sforza desired to say anything on the subject.

COUNT SFORZA confessed that he was not in a position to make any definite observations at the moment.

BARON HAYASHI said that he proposed to telegraph the text of the draft Bill to his Government at once. He was not sure whether the Japanese Government would wish to initiate legislation on similar lines, or whether it might be necessary to modify the Japanese legislation to meet special circumstances. He would, however, ascertain the views of his Government with as little delay as possible.

COUNT SFORZA then enquired whether it was proposed to discuss the arrangements with the neutrals. Legislation of this kind might, in his view, produce serious reactions with countries like Switzerland and Austria.

MR. LLOYD GEORGE said that it was proposed to inform the neutrals of the

action taken by the Allies, but that it was, of course, open to any country to pass legislation of this character. He enquired what had been done during the war in the way of tracing goods of German origin.

MR. CHAMBERLAIN stated that the arrangements under which certificates of origin were required had worked very well in practice, and in the end it had been possible to prohibit dealings in all German goods, of which more than 6 per cent. of the value was attributable to German manufacture or production. He, however, reminded the meeting that the strict censorship of correspondence during the war had rendered it possible to enforce the arrangements with great efficiency.

M. Briand thought that there must in any case be some slight leakage.

BARON HAYASHI enquired whether it was proposed to invite the other Allied Powers to take similar action, and it was generally agreed that such an invitation should be despatched to the Allied and Associated Powers not represented at the conference.

COUNT SFORZA remarked that in certain cases there might be a risk of an ally collecting more under the plan than it was entitled to by way of reparation.

MR. CHAMBERLAIN explained that, if a particular Power collected more in any one year than it was entitled to receive, the excess would go to reduce the total amount, but that when the Power had collected their total amount it should be under an obligation to pay over any surplus to the general reparation fund.

M. LOUCHEUR thought that this proposal might have very serious results. For example, it was quite possible that it would in effect give France an absolute priority and upset the Spa arrangements. While this would be a very convenient and satisfactory arrangement from the point of view of France, he felt that the other Allies should be aware of the position.

MR. LLOYD GEORGE said that the other Allies fully realised the situation. On the other hand, it did not seem to him practicable to request France to convert her surplus receipts in any particular year into cash to hand over to the other Allies.

MR. CHAMBERLAIN enquired whether M. Loucheur meant that there should be a common pool into which all the payments should be made and that a division should take place at the end of each year. If this was so, it was clear that many countries who would accept the scheme so long as it meant collecting for themselves would reject it if it meant collecting for other nations. He (Mr. Chamberlain) had originally favoured the proposition just suggested by M. Loucheur, but M. Doumer had suggested a new plan, which he (Mr. Chamberlain) had accepted, and he saw no reason to alter his view that the new plan was in every way preferable to the plan originally suggested.

M. LOUCHEUR stated that the consequences of this plan might be very serious, and that it might result in a method of procedure which would have the effect of everyone acting for himself. He thought that possibly the plan might be very favourable to France, but he merely wished to warn the con-

ference in advance of the dangers of each of the Allies acting separately. France had signed the Spa Agreement, which provided for the pooling of all reparation receipts. If the other Allies were not ready to act on this principle, a special agreement might be come to, but the door might then be open to the serious consequences to which he had already alluded. He suggested that this question might be discussed at an afternoon meeting with the Chancellor of the British Exchequer and the Italian Finance Minister.

MR. CHAMBERLAIN expressed the view that it would be a very serious matter to alter the Spa Agreement in matters with which that agreement dealt. This proposal was an entirely new one of a different kind. He would put a point: Assuming that all the Powers present at this conference were willing to put the scheme into operation, but the other Allies, while still maintaining their claims, refused to do so, were those Allies to share in the benefits which might arise from the action taken by the members of the present conference?

M. LOUCHEUR remarked that the proposal was too serious to be decided on at once. It should be examined with the greatest care, and he urged that it should form the subject of consideration at a meeting to be held in the afternoon, when the arguments for and against it could be carefully weighed.

Mr. LLOYD GEORGE agreed.

Count Sforza signified assent.

Mr. Lloyd George said that when he had proposed this plan he had understood that there were grave objections in other countries to it. He had made it quite clear that each country must make the best of the plan. It was one which might be particularly favourable to this country, but each country must suit itself. The most important thing for a country was its trade. The United Kingdom would take certain risks, but if it proposed to take these risks it would have to take them for itself. However, the matter had better be discussed at the meeting which would take place in the afternoon.

M. LOUCHEUR enquired at what hour the meeting would take place.

Mr. Chamberlain suggested 4 o'clock.

SIR MAURICE HANKEY enquired if the communications to the Allies should wait until after the 4 o'clock meeting.

MR. LLOYD GEORGE said 'Yes.' A communication should also be made to the United States of America and to all the neutrals. He did not know whether the United States of America was a neutral, an ally or a belligerent.

M. Briand replied 'half and half.'

MR. CHAMBERLAIN begged the conference to remember that the draft which had been put before them was not a final draft and had not definitely been approved. It was very undesirable to allow the draft to get into the press in its present shape.

Mr. LLOYD GEORGE said that it would be necessary to give the press some kind of communiqué, but he proposed that the copies of the draft which had been circulated should be collected and that the final draft should be sent

6 This Agreement of July 16, 1920, is printed as Cmd. 1615 of 1920; cf. No. 40, n. 1.

to the Allied delegations when it was ready. The draughtsman had informed him that some technical alterations were needed. He hoped that the new copies of the draft would be sent to the Allied delegations in the afternoon and that they would receive them before 4 p.m.

He then enquired whether anyone wished to raise any further point in regard to Germany.

M. Jaspar said that a telegram had been sent by Lord Curzon on behalf of Mr. Lloyd George instructing the president of the Inter-Allied Rhine Commission to examine the question of customs dues. This morning's papers showed that the Rhine Commission had begun to impound the customs dues already. This action seemed to be contradictory to what had been decided. It was always understood that the Governments would discuss the question before beginning to collect the tax.

(Lord Curzon here handed to the interpreter for translation, a copy of a telegram which had been received from the Rhine Commission, in reply to Mr. Lloyd George's telegram (see Appendix). The telegram was then translated in French.)

M. LOUCHEUR proposed that a copy of the telegram should be circulated to the various delegations, who should consider it and report to the meeting to be held at 4 o'clock.

MR. LLOYD GEORGE said that very careful consideration would be required.

Mr. Chamberlain remarked that the conference were proceeding much too fast.

M. Briand said that Marshal Foch would like to have a copy of the telegram from the Rhine Commission.

M. JASPAR asked whether there would have to be a further meeting of the Allied Conference.

MR. LLOYD GEORGE replied that if anything arose after this afternoon's meeting there would, he thought, have to be one.

MR. CHAMBERLAIN said that the first question to be considered at the 4 o'clock meeting was largely one of economics and finance. The second question was largely one of policy. He knew by experience that Finance Ministers encountered great difficulties when questions were referred to them, which, although of an economic and financial character, had to be decided on broad political issues. Finance Ministers had not really the competence to decide such questions.

Mr. Lloyd George said that the next point was what to do about disarmament? That question had fallen aside altogether, but it formed a part of the policy in respect of which the Allies were enforcing the sanctions.

M. JASPAR said there was also the question of war criminals.

MR. LLOYD GEORGE suggested that the heads of the delegations only should discuss Turkey and Greece.

⁷ See No. 46, Appendix.

M. Briand asked what time the discussion on Turkey and Greece should take place to-morrow.

MR. LLOYD GEORGE asked whether the conference could not have a discussion of a quarter of an hour now. The question was not a financial one and it would not therefore be necessary for the financial experts to remain, but he desired to ask Marshal Foch a question.

M. Briand said he would have to leave England the day after to-morrow. Mr. Lloyd George remarked that the conference would dispose of M. Gounaris to-morrow.

M. Briand asked what about M. Kalogeropoulos?

LORD CURZON replied that M. Kalogeropoulos would be with M. Gounaris. He also said that the Austrians would have to be dealt with.

M. Briand thought that no difficulties would arise with regard to the Austrians.

M. Jaspar asked when he would be free to return to Belgium.

MR. LLOYD GEORGE replied that he could do so when the business was completed. M. Jaspar had himself raised the question for this afternoon. When that was settled there would be nothing left.

M. JASPAR said he was quite ready to stop.

MR. LLOYD GEORGE said that there were two questions:—

- I. What was to be done with the amount collected from the purchasers of German goods?
- 2. What was to be done in regard to the custom houses on the Rhine?
- M. LOUCHEUR asked whether the conference should not reassemble at 6 p.m. to discuss these questions.

MR. LLOYD GEORGE said 'Yes' if the French delegation were ready.

M. Briand said that as regards disarmament he presumed that the Paris decisions⁸ would be enforced.

MR. LLOYD GEORGE agreed.

The conference decided—

That the Paris resolutions on the subject of the disarmament of Germany hold good, as also the delays accorded by those resolutions to the German Government.

(The experts then withdrew, and the heads of the Allied delegations remained. Their discussion is recorded at a separate meeting.9)

2, Whitehall Gardens,

March 9, 1921.

⁸ See No. 12, minute 1 and n. 2.

9 i.e. No. 48 below.

Appendix to No. 47

Mr. Robertson (Coblenz) to Earl Curzon

(No. 22. Telegraphic.)

Paraphrase

COBLENZ, March 8, 1921

From President of High Commission for Prime Minister:—

Note has been taken by the Inter-Allied High Commission of instructions of

the 7th March, which Lord Curzon addressed to it in your name. 10 With this communication in mind High Commission decided by ordinance to place under its orders customs service and service for imports and exports in territory occupied, and to hold customs receipts which are levied on external frontiers of territories occupied, and to place them to credit of a special account which will be at disposal of Reparations Commission. In accordance with the German tariff now in force customs dues shall continue to be levied until further orders.

Examination is now being made by High Commission as to suitable places on eastern limits of occupied territories to establish a customs line. In order that this line may be drawn satisfactorily, it considers it indispensable to modify boundaries of bridge heads so that length of customs line is diminished to follow German administrative lines.

It is considered by High Commission that customs régime, authorised to be set up, should also be made applicable to recently occupied territories forming Düsseldorf, Duisburg and Ruhrort bridge heads.

These territories, it also considers, should be held under its authority and directly occupation has taken place martial law will be confirmed in them.

The question of tariffs, which is very delicate, to be established on new customs line at eastern boundaries of territory which has been occupied is being studied by the High Commission. High Commission would be glad to be informed if intention of Allied Government is to set up high tariffs between occupied Germany and non-occupied Germany at both exit and entry, thereby exerting pressure on German Government if necessary.

It is considered by High Commission that measures should be taken, in order that in occupied territories economic life is preserved particularly in interests of reparation, and especially with this object in view that provisions should be made that raw materials and foodstuffs in coming into these territories should have reduced tariffs.

10 See n. 7 above.

No. 48

1.C.P. 181] British Secretary's Notes of an Allied Conference held at No. 10, Downing Street, London, S.W., on Wednesday, March 9, 1921, at 1.30 p.m.

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister (in the Chair); The Rt. Hon. the Earl Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; POLITICAL EXPERT, Mr. Vansittart; SECRETARIES, Sir M. Hankey, G.C.B., Mr. St. Quintin Hill.

France: M. Briand, M. Loucheur, M. Berthelot; MILITARY EXPERTS, Marshal Foch, O.M., G.C.B., General Weygand; SECRETARIES, M. Massigli, M. Chastenet.

Italy: Count Sforza; secretary, Signor Galli.

Japan: Baron Hayashi, Mr. Nagai; secretary, Mr. Saito.

Belgium: M. Jaspar; secretary, Viscount Davignon.

INTERPRETER: M. Camerlynck.

Turkey and Greece

MR. LLOYD GEORGE enquired whether anyone had seen M. Kalogeropoulos or Bekir Sami Bey. He himself had seen neither and did not know what the position was. He had heard that the Greeks intended to advance, and he did not think the Allies could stop them.

COUNT SFORZA said he had not seen M. Kalogeropoulos. He had, however, seen Bekir Sami Bey, who was very hostile to any compromise. He personally thought that Mr. Lloyd George was right, and that the Greeks would advance at once. Any advance would be made on their own responsibility, and they should be told so again. He did not see any possibility of the Allies preventing the advance.

MR. LLOYD GEORGE asked what Marshal Foch thought of the Greeks' projected military operations.

MARSHAL FOCH said that he knew the rumours which had been circulating, but he had no definite information as regards the nature of those operations.

MR. LLOYD GEORGE said that in these circumstances it would not be fair to ask for Marshal Foch's opinion.

MARSHAL FOCH said that his opinion was, as it had always been, that the Greeks were not capable of a great effort or of producing great results. If, however, the Greeks wished to make a small demonstration, then he thought they might be allowed to do so.

LORD CURZON remarked that the Greeks claimed that they could do very much more than make a small demonstration. They stated that they could cut the railway between the towns of Eskishehr and Afium Karahissar. He did not see how the Allies could prevent them from doing so.

MARSHAL FOCH remarked that the Greeks might very well get to these two towns, but he did not know if they could get back.

MR. LLOYD GEORGE stated that the other point was this: the Greeks were not asking for any money as far as the Allies were concerned, but he thought that the Allies had forbidden the issue of any further notes in Greece.² Since every country was using the printing press, and Poland had, for instance, carried on a war for two years simply by the use of the printing press, and since Mustapha Kemal had issued notes and was continuing to do so, he thought it rather hard that the Allies should say to the Greeks that they would not allow them to issue drachmas.

M. Briand said that the measure had been taken by way of a 'sanction' on the occasion of the return of Constantine. If the Allied Governments considered it inopportune [? opportune] to modify their decision, this must not be construed as an act of weakness and action must be taken with the utmost prudence.

MR. LLOYD GEORGE said that this measure was taken to prevent Constantine going back. It was a suggestion of M. Leygues.³ He had never thought it would be effective. In fact, it had not proved to be effective, and

- ¹ Cf. No. 15 (p. 135) and No. 17. ² See Vol. XII, No. 458; cf. No. 14 above, n. 8.
- 3 French President of the Council and Minister for Foreign Affairs, Sept. 1920-Jan. 1921.

Constantine was in Athens. It was unfair and childish to allow Mustapha Kemal to issue notes, and stop the Greeks from doing so. Greece was the only country in the world which was not doing so, and it was not fair.

M. Briand asked if Mr. Lloyd George did not think that the arrival of M. Gounaris would not alter the situation. M. Gounaris would bring new proposals. He was a stronger man than M. Kalogeropoulos, and was the leader of his party. No doubt he would come forward with concessions of which we were in ignorance at present, and he thought the matter might be considered when we knew what line M. Gounaris would take.

MR. LLOYD GEORGE answered in the negative. The only proposal by Gounaris would be that the Allies should withdraw their veto on the advance of the Greek army. The Greeks were perfectly confident, perhaps foolishly so. Their claim was that Mustapha Kemal could not resist them now, but he would bring up new forces, and they should therefore be allowed to strike at once while the game was in their hands. Personally, he thought that this was fair.

M. Briand expressed the view that it would be quite impossible for the present conference to stop the Greeks from undertaking a plan in which they thought they could succeed. The only thing which the conference could do would be to approach both parties and offer to act as mediators. If this offer were refused the Allies could only say: 'Settle the question among yourselves.' This might be a foolish business, both for the Greeks and the Turks, but no other procedure was open to the Allies. At any rate, by acting in this way the Allies would avoid being involved in the business. The Greeks might succeed. If they did not succeed as much as they expected they would perhaps be wiser, and the Allies could say that their offer was still open. If, however, the Greek soldiers gave rein to their well-known impetuosity and rushed forward, then M. Kalogeropoulos would have to swallow Bekir Sami Bey as best he could. If he could not do so, the Greeks would come back and accept the mediation of the Allies.

MR. LLOYD GEORGE thought that the chances were ten to one that the first military operation would be a brilliant success. There was really nothing at present in front of the Greeks, and in that kind of country Mustapha Kemal would have to move very slowly. It would take a long time to collect a force sufficiently large to hit the Greeks back. If, therefore, the Allies proposed to leave the matter to the chances of war, that country would be in a disturbed condition for at least two years.

M. Briand remarked that he wished for nothing better than to be able to stop the Greeks now.

Mr. Lloyd George said that he did not think the Allies could do so.

COUNT SFORZA stated that refraining from advance was conditional on the commission of investigation being started. If that did not start the Greek army could not be expected to refrain from advancing.

MR. LLOYD GEORGE suggested that the Greeks should be informed now of the Allies' views, as every day counted. If the Greeks were not told at once, and their advance failed, they would attribute failure to the Allies.

M. Briand agreed.4

MR. LLOYD GEORGE proposed that the Greeks should be told that if they liked to wait until to-morrow they could, but it was not the Allies who were holding them back.

M. Briand suggested that the Greeks should be summoned at 11 to-

morrow, and the others at 11.30.

Mr. Lloyd George replied that there was very little use in seeing them in public. Possibly, if Bekir Sami Bey, Kalogeropoulos and Gounaris could be interviewed separately and privately, something could be done, but publicity was of no use.

M. Briand suggested he should see Bekir Sami Bey, and Mr. Lloyd George should see M. Gounaris.

MR. LLOYD GEORGE remarked that he did not like seeing M. Gounaris. M. BRIAND said that M. Gounaris would have to be seen, and he might be an interesting sight.

MR. LLOYD GEORGE replied that he had been a bitter enemy of the Allies, and M. Kalogeropoulos was not.

M. BRIAND said that in favour of M. Kalogeropoulos, it must be remembered that he had produced a plan for siding with the Allies in certain eventualities, and had in consequence been upset.⁵

MR. LLOYD GEORGE said that this was true.

He proposed that the conference should meet again at 6 p.m. the same day.

(The proceedings then terminated.)

2, Whitehall Gardens, S.W. 1, March 9, 1921.

4 Note in original: 'N.B.—This is not included in the French secretary's notes.'

⁵ M. Kalogeropoulos had been Greek Prime Minister, Sept.-Oct. 1916.

No. 49

I.C.P. 181A] British Secretary's Notes of a Meeting of Financial Experts held in the Treasury Board Room, March 9, 1921, at 4 p.m.

PRESENT: British Empire: The Rt. Hon. A. Chamberlain, M.P., Chancellor of the Exchequer (in the Chair); experts, Mr. Fass, Sir S. J. Chapman, K.C.B., C.B.E., Sir F. Liddell, K.C.B.; secretaries, Mr. Howorth, Mr. Gower.

France: M. Loucheur; EXPERT, M. Seydoux.

Belgium: Colonel Theunis; SECRETARY, Viscount Terlinden.

Italy: Signor Meda; experts, Comm. d'Amelio, Comm. Giannini; secretary, Signor Galli.

Japan: EXPERTS, Mr. Kengo Mori, Mr. Debuchi; secretary, Mr. Saito.

Mr. Chamberlain reminded the meeting that two questions had been referred to it for consideration. First, the draft Bill prepared by the British Government relative to the application of part of the purchase price of

¹ See No. 47, p. 343.

imported German goods towards the discharge of German obligations under the Treaty of Versailles; and, secondly, the communication (A.J. 275) from the president of the Rhineland High Commission on the subject of the establishment of the new customs barrier on the Rhine.²

The meeting decided—

To consider the reply to be given to the High Commissioner's telegram.

1. Rhineland Customs Barrier: Proposed Reply to the High Commission

The meeting discussed the telegram from the president of the High Commission paragraph by paragraph, and decided to recommend the Allied Conference to agree to the proposals contained in paragraphs 1 and 3. With regard to paragraph 2, the meeting agreed that no extension of the zone of occupation was desirable and that therefore the Allies should inform the commission to this effect and direct that while following the lines of German administration as far as necessary, the commission should, if possible, keep within the limits of the present occupation.

As regards paragraph 4, the meeting decided that the questions raised were matters of high policy which could only be decided by heads of Governments.

With regard to paragraph 5, it was decided to inform the High Commission that in the case of exports from the occupied territories to the unoccupied territories, the intention of the Inter-Allied Conference had only been to impose a statistical duty of, say, 1 or 2 per cent. for purposes of obtaining information, and that as regards goods going from Germany into the occupied territories, the High Commission should be requested to submit detailed proposals for a substantial tariff. With a view to saving time, it was suggested that each Allied representative on the Rhineland Commission should send direct to his Government a copy of the proposals at the same time as the report to the conference.

Paragraph 6. The meeting approved the views expressed, and considered that for the same reasons the new duties should be introduced gradually, being levied at first at reduced rates.

On the suggestion of Mr. Chamberlain, the meeting agreed that a paragraph should be added to the draft reply to the effect that the directions contained in the reply were given to enable the High Commission to prepare a complete plan for submission to, and confirmation by, the Inter-Allied Conference, and also that the new duties should not apply to goods in transit.

A copy of the draft reply as agreed at the meeting is attached hereto (Appendix 1).

2. Italian Representation on the Rhineland Commission

SIGNOR MEDA³ reminded the meeting that Count Sforza had made a special reservation with reference to the Italian representation on the Rhineland High Commission.

² i.e. No. 47, Appendix.

3 Italian Minister of Finance.

The meeting agreed—

That steps should be taken to secure that when economic interests are under consideration, an Italian representative should be summoned to meetings of the Rhineland High Commission.

3. Draft Bill giving Effect to Economic Sanction

The meeting had before it the draft of a Bill prepared by the British Government for the application of part of the purchase price of imported German goods towards the discharge of the obligations of Germany under the Treaty of Versailles (Appendix 2).4

M. LOUCHEUR said that as regards the text of the Bill now submitted to the meeting, he had no remarks or comments to make except in one respect. This Bill was in all probability practically the equivalent of the draft of a Bill which would be laid in due course before the French Chamber of Deputies. On turning to the first page of the draft Bill (paragraph 3)5 he (M. Loucheur) now saw in black and white the question which had been raised that morning in the conference and which was a very serious one in his eyes. What was the position of the Allies to-day? Their position had been definitely settled by the Treaty of Versailles, which decided that the Reparation Commission should be the recipient of everything paid over by Germany in whatever form, that is to say, goods, deliveries of gold, foreign paper currency and bonds, and that all these receipts should pass into a pool to be administered by the Reparation Commission and later on to be allocated according to certain proportions to be settled by the Allies among themselves. After the Treaty of Versailles two steps had been taken. As Mr. Chamberlain would remember, the first step was taken on the 13th December, 1919, when the proportions in which the Allies should share the reparation payments had been provisionally laid down. The second step was taken at Spa, when a definite agreement had been reached by the Allies as to the proportions in which the reparation funds were to be divided among the various interested nations.7 France not only accepted this agreement, but she had also accepted a much more serious obligation, namely, that if she received deliveries in kind she was to reimburse the other Allies the surplus over and above her proper share of reparation. In other words, as from the date of the Spa Agreement, the Allies had accepted the principle of refunding any sum which a particular Ally might receive over and above its own proper share. Previous to this arrangement it had been urged that each nation should be allowed to keep such excess and should simply be debited with the amount

- 4 Not printed. The Bill was presented to Parliament on March 11; see 139 H.C. Deb., 5 s., col. 845. The final text, dated March 24, is printed in B.F.S.P., vol. 114, pp. 26-29 (The German Reparation (Recovery) Act, 1921).
- 5 This paragraph read: 'The Commissioners shall pay all moneys received by them under this section into such special account as the Treasury may direct to be applied in such manner as the Treasury may direct towards the discharge of the obligations undertaken by Germany under Parts VIII and IX of the Treaty of Versailles.'
 - 6 See Vol. II, Appendix A to No. 61.
 - ⁷ For this Agreement of July 16, 1920, see No. 47, n. 6.

of the excess. The scheme urged by the British delegates this morning was really a return to the pre-Spa proposals, since it contemplated each country retaining the total amount of the money collected by it up to the full sum of its claim, and not merely the amount due in any particular year.

A distinction must be drawn between the two cases. Is a country which cashes or receives a certain amount to be allowed to retain it up to the amount of the total of that country's claim against the reparation fund, or only up to the amount of the yearly payment to which that country is entitled out of the fund? The differences between these two questions raised certain issues. If the meeting was now to agree to the suggestions contained in the draft Bill, it would mean a reversal of the principles accepted at Spa. He (M. Loucheur) was in all the better position to take this particular line, inasmuch as there had been considerable criticism in France against the action of the French delegates in accepting the Spa Agreement. The French Government had been pressed in the Chamber to reopen again the question of the percentages which had been settled at Spa, but had replied that they stood by the Spa Agreement and intended to continue to stand by it. He asked the meeting not to raise this troublesome question at all, and to leave it without coming to any definite conclusion one way or the other. It could, of course, be disposed of at once if the meeting would accept the French view of the matter, but having regard to what had passed at the conference that morning, he thought it would be much better to leave the question in suspense. In any case, considerable time must elapse before the legislation passed through the various Parliaments, and in the meantime he (M. Loucheur) was quite convinced that Germany would have accepted some satisfactory solution. The Allies would then be able to make final arrangements of a different character in order to raise funds for reparation out of German exports. This arrangement would give the Allies really effective control. Candidly he was very much afraid of the British proposal, which might take the Allies considerably further than they intended to go. He therefore urged Mr. Chamberlain in all seriousness and in view of the very awkward consequences, to reflect that the British proposal might really involve a serious breach of the treaty of peace, and sow discord among the Allies themselves. The British proposal would tend to change the character of the annuities. It was not a bad proposal from the point of view of France, but in spite of this he (M. Loucheur) felt sure that it would be better to keep the matter indefinite, as he was certain that before the Bills passed into law, the Allies would have persuaded the Germans to agree to a satisfactory settlement.

MR. CHAMBERLAIN said that before replying to M. Loucheur he would very much like to hear the views of the other Allied delegates.

SIGNOR MEDA said that he was in favour of maintaining the principle of inter-Allied solidarity, to which such eloquent reference had been made by M. Loucheur. While he was not particularly happy about the conclusions reached at the Spa Conference, he felt sure that the best course would be to maintain the Spa Agreement intact.

Colonel Theunis reminded the meeting of the remarks which had been made when the Bill had been first examined by the conference. He had then pointed out that the Allies were contemplating the use of this particular mode of payment as a penalty, whereas it had been discussed with the Germans as one of the possible means of obtaining payment of reparation from Germany by agreement. The German experts at Brussels were, and he understood still are, favourable to the plan, and he himself felt that this might be a very useful method of collecting the reparation money, provided Germany voluntarily accepted the scheme, and that the scheme itself was managed by the Reparation Commission, all payments being pooled by the Allies.

In the events which had happened, however, the Allies had come to regard this particular matter in the light of a penalty and it had now been added to other penalties. He did not wish to raise any objection to this in view of its admittedly provisional character, but the Bill before the meeting dealt with the question both as a penalty and as a means of collecting reparation for the benefit of Great Britain. What was going to happen? The Allies had first of all thought that it would not be necessary even to name their penalties, but in the end they had felt bound to announce them. Who could tell what might happen in the next fortnight? Negotiations with the Germans might be reopened and a satisfactory agreement reached; or, on the other hand, the negotiations might break down. In any case, it was obvious that the situation could not remain as at present, because everyone would agree that penalties cannot serve as a basis of a regular and permanent relationship with Germany. The Allies were, therefore, at the moment faced with a temporary and transitory situation.

On the other hand, it must be remembered that these penalties had been directly provided for under the treaty, and in this respect he entirely concurred with what M. Loucheur had said as to the necessity of maintaining the treaty, which was the Allies' code. The Allies must not depart from the treaty, particularly in the case of a purely provisional and temporary arrangement.

In addition to the treaty, the Allies had entered into other engagements among themselves, which engagements governed the relations between the Allies as regards reparation. Therefore, while agreeing to the principle of the draft Bill, he would much prefer to leave in abeyance the question of the utilisation of the sums collected under this legislation by the Allies, and for the reason that in a few days, or at the most in a few weeks' time, the question may have ceased to have its present importance. Either another meeting with the Germans would result in an agreement, or in the event of disagreement the Allied experts would have to meet again and work out a permanent scheme of reparation.

It must be understood that if the question was now left unsettled, this did not mean that anything was altered. It simply meant that there was no change in what had been agreed by the Allies concerning the interpretation of the treaty and the agreements which had subsequently been entered into. In his view it was not worth while the Allies wasting time in discussing something with no degree of permanence. If this issue was to be seriously raised it might entail the revision of the treaty itself on lines that every ally should get as much as possible for itself in the way of reparation without regard to the other Allies. This would be deplorable. For example, France and Belgium being on the Ruhr might have to seize Herr Stinnes himself or his office. Therefore, he would insist on the point that this is a transitional or provisional arrangement not to be contemplated as a means of payment, but only as a penalty or as a severe blow dealt at Germany.

MR. KENGO MORI⁸ pointed out that the Bill itself might be substantially modified in its passage through Parliament, but the meeting clearly had to come to some decision on the question of principle. While agreeing with M. Loucheur and Colonel Theunis as to the necessity for maintaining solidarity among the Allies, and preserving the Spa Agreement, he personally could see nothing inconsistent with that agreement in the Bill. The payments contemplated were not payments from Germans, but payments made by Allied nationals.

COLONEL THEUNIS pointed out that it was clearly recognised that the German Government would have to compensate its own nationals for the amounts deducted by the Allies.

MR. CHAMBERLAIN remarked that if the German Government did not pay this compensation the arrangements would amount to an economic blockade of Germany. He (Mr. Chamberlain) was anxious to bring the discussion to a close in order that he might have an opportunity of speaking to Mr. Lloyd George before the meeting of the conference at 6 p.m.

He desired briefly to make some observations on the discussion, and fully realised the reasons why the French, Belgian and Italian representatives had pressed the British representatives to refrain from pursuing the plan indicated in the Bill. In the circumstances he would have no objection to omitting this particular provision from the Bill, but he must warn the meeting that the question was certain to be raised in the House of Commons, and could not possibly be evaded there. Any respite which the British Government might earn by omitting the provisions from the Bill would, he felt confident, be a very brief one.

If Germany's assent to this method of paying reparation could have been obtained and the plan could have been applied to all German exports without exception, Great Britain would have been ready and willing to agree to payment into a common pool. This, however, was very far from being the case, and the British Government had to envisage the situation in which one or two countries might adopt the method, and loyally carry it out at considerable inconvenience and possible pecuniary loss to the citizens of those countries. Other countries, on the other hand, might decline to adopt the plan or might adopt it in part only, and in the result the Governments of the former countries would be collecting reparation from their own citizens, not on their own account, but for the benefit of other nations who were

8 Financial Commissioner of the Japanese Government.

suffering no loss or inconvenience by the arrangement, and who, in fact, might be deriving very considerable benefit by keeping outside the scheme. He felt sure that in circumstances such as he had mentioned it would be impracticable to maintain the scheme in operation. This was the whole difficulty, and was, in his opinion, a well-nigh insuperable difficulty.

COLONEL THEUNIS suggested as a possible compromise that the plan in the draft Bill should be put into operation up to the 1st May, 1921, and that after that date all the payments should be put into a common pool.

MR. CHAMBERLAIN said that if the meeting agreed he proposed to report to the conference that the French, Belgian and Italian delegates were not in favour of the British proposal, and that in these circumstances it seemed desirable to delete sub-clause (iii) of clause 1 of the Bill. He would mention Colonel Theunis's proposed compromise to the conference.

(The proceedings then terminated.)

2, Whitehall Gardens, March 9, 1921.

Appendix 1 to No. 49

Draft Telegram from the Supreme Council to the President of the Rhineland High Commission.

Mr. Robinson's [Robertson's] telegram No. 22.9

Paragraph 1. Conference agree to the proposals.

Paragraph 2. Conference do not desire any extension of zone of occupation, and would wish, therefore, while following the lines of German administration, so far as necessary, to keep, if possible, within the limits of the present occupation.

Paragraph 3. Conference agree.

Paragraph 4.

Paragraph 5. As regards exports from occupied territories to Germany, conference desire the imposition only of a statistical duty of, say, 1 or 2 per cent. for information purposes. As regards goods from Germany to occupied territories, they desire the High Commission to submit detailed proposals for a substantial tariff. They ask that, in order to save time, each Allied representative of the commission should send direct to his Government a copy of the proposals at the same time as the report to the conference.

Paragraph 6. The conference approves the view expressed. For the same reason conference suggest that the new duties should be introduced gradually, being levied at first at reduced rates.

These directions are given to enable you to prepare a complete plan for submission to, and confirmation by, the conference.

9 No. 47, Appendix.

1.C.P. 182] British Secretary's Notes of an Allied Conference held at 10, Downing Street, S.W., on Wednesday, March 9, 1921, at 6 p.m.

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister (in the Chair); The Rt. Hon. the Earl Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; The Rt. Hon. A. Chamberlain, M.P., Chancellor of the Exchequer; experts, Mr. Vansittart, Sir S. J. Chapman, K.C.B., C.B.E., Sir F. Liddell, K.C.B.; SECRETARIES, Sir M. Hankey, G.C.B., Mr. Howorth, Mr. St. Quintin Hill.

France: M. Briand, M. Loucheur, M. Berthelot; secretaries, M. Massigli, M. Chastenet, M. Brugère.

Italy: Count Sforza, Signor Meda; secretary, Signor Galli.

Japan: Baron Hayashi, Mr. Nagai; expert, Mr. Kengo Mori; secretary, Mr. Saito.

Belgium: M. Jaspar, Colonel Theunis; secretary, Viscount Terlinden. Interpreter: M. Camerlynck.

Reparations

MR. LLOYD GEORGE asked Mr. Chamberlain to make a report on the question which had been referred by the conference in the morning to the Finance Ministers.¹

MR. CHAMBERLAIN stated that the committee had examined the question raised at the conference in the morning as to the appropriation of the sums which could be expected from Allied nationals in respect of purchases made from Germany. The representatives of France, Belgium and Italy had said that the proposal of His Majesty's Government was in spirit an infringement of the Spa Agreement, and that it would make inevitable the reopening of the agreement in respect of payments from Germany in other forms.

After the 1st May next the value of all receipts by particular Allies would have to be accounted for to the Reparation Commission, and any Ally which found that it had received more than its quota for any particular year would have to pay the excess to the other Allies in order to make up their quota. The French and Belgian representatives claimed that, just as all other deliveries, whether in cash or kind, had to be pooled under the treaty, so pooling must be adopted in the case of receipts under the scheme contemplated in the English Bill.² The text of the Bill had been amended so as to leave this point open for further consideration. It had been pressed on the committee that the arrangement in its present form was merely temporary, for the two following reasons:—

(i) It was intended as a means of putting pressure on Germany, and it was hoped that later on an agreement would be arrived at which would involve the co-operation of the German Government.

¹ See No. 47. ² See No. 49, minute 3.

If this were so, there would be no reason for continuing the sanction in force.

(ii) After the 1st May next a new system would come into force for such receipts as were already being obtained from Germany.

Up till that date no nation would surrender its excess receipts. After that date each nation must, as explained above, account for its excess receipts.

Colonel Theunis had suggested a possible compromise, namely, that the British proposal might be adopted up to the 1st May next and then replaced by the other system after the 1st May.

There was nothing further to report on the subject of the Bill, but he had a report to make on the subject of the telegram from the Rhine Commission.³ The committee had drafted a reply to the telegram which had been received from the president of the Rhine Commission.

(At this point Mr. Chamberlain circulated copies of the draft reply.)

(For telegram from the president of the Rhine Commission, the proposed draft reply, and for the reply as finally amended, see Appendices 1,4 24 and 3 respectively.)

MR. LLOYD GEORGE suggested that the first question might be disposed of at once, before the telegram to the Rhine Commission was considered.

One element in deciding what action the Allies should take would be whether every country had applied the proposal with equal ruthlessness. It was a proposal which would inconvenience traders and impede business, and it would be unfair that one country should suffer this inconvenience and collect money for distribution to other Allies who suffered no inconvenience. But if every country had done its best and had acted equally, then there would be a strong case for treating all equally.

M. Briand and M. Loucheur said that this was quite fair and just.

MR. LLOYD GEORGE asked if there was anything further to be said on this subject.

M. BRIAND said there was not.

MR. LLOYD GEORGE then said that the conference would consider the reply to the telegram from the Rhine Commission.

MR. CHAMBERLAIN, referring to the draft which had been circulated, suggested that the telegram from the Rhine Commission should be considered paragraph by paragraph, as it was answered in that order by the draft reply.

As regards the first paragraph of the Rhine Commission's telegram, the committee agreed to the proposals contained therein.

As regards the second paragraph, the committee objected to any extension of the occupied territories, and suggested that the commission should be instructed that no extension of the zone of occupation was desired, and that the answer should be as in paragraph 2 of the draft reply.

³ See No. 47, Appendix.

4 Not here reprinted; they were identical with Appendices to Nos. 47 and 49, respectively.

As regards the third paragraph of the telegram, the committee suggested that the proposal that the customs régime should be made applicable to the bridge heads should be adopted.

The proposal in paragraph 4, that the newly-occupied territories should be held under the authority of the Rhine Commission and that martial law should be confirmed in them immediately after occupation, was not one which the Committee of Finance Ministers considered to be within their competence. It was one which the Allied Conference should decide.

M. Briand remarked that he thought the proposal of the Rhine Commission should be adopted, otherwise two régimes would be in existence. He had received a note from Marshal Foch (for text, see Appendix 4).

General agreement was expressed with M. Briand, and the conference decided—

To approve the proposals in paragraph 4 of the telegram, dated the 8th March, from the president of the Rhine Commission.

MR. CHAMBERLAIN, continuing, stated that the commission asked for a statement of the objects of the tariffs to be established on the eastern boundaries of the occupied territory, and the committee proposed to reply in the terms of paragraph 5 of their draft reply.

M. Briand expressed assent with the proposed reply.

MR. CHAMBERLAIN said that paragraph 6 of the proposed reply indicates that the Allies agree with the commission that care must be taken not to destroy the economic life of the occupied territories. Examples were given of this in the telegram, and the draft went on to say that for the same reason new duties should be introduced gradually, being levied at first at reduced rates.

Finally, the committee suggested the addition of words to the effect that these directions are given only to enable the commission to prepare a tariff for submission to the Governments concerned. In other words, the commission should not enforce a tariff without the consent of their Governments.

General agreement was expressed with this proposal.

The conference approved the despatch of the reply to the Rhine Commission after emendation in the light of the above discussion.

N.B.—A further emendation was made later at the request of Count Sforza (see p. 205 [i.e. pp. 358–9 below]).

MR. LLOYD GEORGE said that he wished, before the conference separated, to raise an important question. When would these customs duties terminate? It was very important that the moment a satisfactory arrangement was reached with Germany as regards both reparations and disarmament the new customs duties should come to an end. He would speak quite openly here. Such articles as had appeared recently in the 'Écho de Paris,' to which the Chancellor of the Exchequer had called his attention, were of a kind to alarm British public opinion and lead people in this country to say that here

was what French public opinion was very largely desiring, namely, the separation of the Rhine provinces from Germany.⁵ There was no doubt that a strong section of public opinion in France did clamour for such separation. M. Clemenceau⁶ had fought against this, and M. Millerand had done the same, but from time to time demands arose in the French press for the separation of the Rhine provinces. This would be equivalent to annexation. There was a real horror in this country of creating another Alsace-Lorraine. Alsace-Lorraine had cost Europe so much; we all had had to pay for it. He would like M. Briand to pledge his Government and country here that this customs régime would end the moment Germany had come to a satisfactory arrangement with regard to disarmament, reparations and war criminals.

M. Briand said that he hastened to make here before the conference the same declaration which had been made by his predecessors, and, in particular, by M. Millerand. He made the declaration with great force, and he had no other idea at the back of his head. All that he desired and the French Government desired was to stand by the Treaty of Versailles in all its conditions. If certain journalistic proposals were put about in France, they received no encouragement from the French Government, and he desired to state with all possible emphasis that the French Government had no idea of annexation whatever.

MR. LLOYD GEORGE said that he presumed that the French Government had no idea either of an autonomous State being created out of the occupied territories.

M. Briand stated that the French Government stood by the loyal execution of the treaties. This was the almost unanimous opinion of France, and if certain newspapers suggested the annexation of the occupied territories, they did this particularly with the object of annoying him (M. Briand) and in order to annex his portfolio.

MR. LLOYD GEORGE said that M. Millerand had made exactly the same declaration at San Remo,⁷ and he had not asked this question because of any doubts in his own mind or in the minds of his colleagues, but simply because the matter was so important.

M. Briand replied that in the last discussion in the French Chamber some ill-informed deputy had tried to throw doubt on the intentions of the French Government. He had immediately protested against this, and had affirmed that France would observe the provisions of the treaties which she had signed. Any doubts cast on this policy would amount to an attribution to France of

⁵ e.g. an article by 'Pertinax' (the nom de plume of the French journalist, M. Géraud) in the Écho de Paris of March 8, as reported in Paris despatch No. 730 of March 8, read: 'After taking possession of the three Rhine towns, rapidly seizing the customs, and establishing a customs barrier along the Rhine, we can in future negotiate with the Germans only if these pledges are in our hands . . . "Il ne s'agit plus de sanctions appelées à disparaître le jour où les Allemands donnent une signature dont leur conduite passée proclame le peu de valeur, il s'agit de garanties qui doivent nous rester à titre permanent."

⁶ French President of the Council, Nov. 1917-Jan. 1920.

⁷ See Vol. VIII, No. 14, minute 8.

imperialistic tendencies which she never had. The Chamber had applauded his statement and approved it.8

MR. LLOYD GEORGE said that this statement meant that if the Allies reached a satisfactory arrangement with Germany on the questions in which they were taking action the occupation would be discontinued, the troops withdrawn and the customs barriers raised. It was important that there should be no misunderstanding amongst the Allies on that. The whole of the sanctions would be withdrawn.

M. Briand replied that the sanctions were designed to bring Germany to her senses. They constituted means of making her execute the treaty. Since [? Once] the Allies had obtained the necessary assurances there would be no necessity for them to persevere in the attitude they had adopted. But, on the other hand, there was no advantage in letting Germany think that it would suffice for her to make a grimace and the sanctions would disappear. Realities were necessary which would give the Allies corresponding advantages. M. Briand was, moreover, convinced that as soon as Germany had recommended [? recommenced] discussions it would be easy to arrange under satisfactory conditions all the questions which were irritating public opinion in the different countries.

MR. LLOYD GEORGE agreed entirely with the view that there could be no question of renouncing the sanctions until there had been concluded to the satisfaction of the Allies an arrangement with Germany on the questions in which action was now being taken.

M. JASPAR said that as long as the Germans did not make reasonable proposals the sanctions would continue in force; when these proposals were made the sanctions would disappear.

M. LOUCHEUR said 'made and accepted by.'

MR. LLOYD GEORGE repeated that he had not raised the question because of any doubts he had felt personally. Moreover, it would be a great advantage for M. Briand to say in France that he had secured the enforcement of the sanctions simply on this understanding.

M. Briand stated that the sanctions were not an end in themselves, but simply a means to an end.

MR. LLOYD GEORGE replied that the end in question was, of course, the execution of the treaty.

M. Briand said that he was beginning to ask himself if, in the composition of a Welshman, there was not a little bit of a Norman, i.e., a soupçon of mistrust!

MR. LLOYD GEORGE said that there was reason for this. The poor Welshman had always had the worst of it.

M. BRIAND replied 'only when he had wanted it.'

COUNT SFORZA submitted a formal request to the conference to the effect that in the telegram to the Rhine Commission it should be made clear that in

⁸ The reference is presumably to the debate of Feb. 4 in which M. Briand had replied in particular to the criticisms made by M. Tardieu; see J.O., Chambre: Débats, Jan.-March, 1921, pp. 312-20.

economic questions Italy would be represented on the Rhine Commission.

MR. CHAMBERLAIN agreed that where economic interests were concerned the Italian representative should be summoned to meetings of the Rhine Commission and a paragraph to this effect would be inserted in the telegram to the commission.

MR. LLOYD GEORGE said that if there was nothing further to discuss in regard to reparations and the occupied territories the conference had better go into committee on the subject of Greece.

M. Briand stated that before the conference closed its deliberations on this most important subject he desired to express the unanimous feeling of gratitude which he and his colleagues felt for the manner in which Mr. Lloyd George had directed the labours of the conferences and for the magnificent hospitality with which they had been entertained. In Paris Mr. Lloyd George had promised to do his best to dissipate the gloom of London. He had threatened fogs, but the French delegation had enjoyed a climate like that of the Cote d'Azur, and they would like to prolong their stay for three months. He desired to express his sincere thanks. When the British Premier visited Paris next he must come for three weeks and not simply one.

MR. LLOYD GEORGE expressed his appreciation of M. Briand's remarks and said that Paris was always a temptation.

(The conference then proceeded to a discussion of the Turkish situation, which is recorded separately (I.C.P. 183)9.)

For press communiqué, see Appendix 5.

2, Whitehall Gardens, March 9, 1921.

9 See No. 51 below.

Appendix 3 to No. 50

Earl Curzon to Mr. Robertson (Coblenz)

(No. 16. Telegraphic.)

FOREIGN OFFICE, March 9, 1921

Following from the Supreme Council:—

'Your telegram No. 22.

'Paragraph 3. Conference agree to the proposals.

'Paragraph 4. Conference do not desire any extension of zone of occupation, and would wish therefore while following the lines of German administration so far as necessary to keep, if possible, within the limits of the present occupation.

'Paragraph 5. Conference agree. Conference agree commission should confer as to execution with Marshal Foch or his representative.

'Paragraph 6. As regards exports from occupied territories to Germany, conference desire the imposition of only a statistical duty of, say, 1 or 2 per cent. for information purposes. As regards goods from Germany to occupied territories, they desire the High Commission to submit detailed proposals for a substantial tariff. They ask that in order to save time each Allied representative of the

commission should send direct to his Government a copy of the proposals at the same time as the report to the conference.

'Last sentence. Conference approve the view expressed. For the same reason, conference suggest that the new duties should be introduced gradually, being levied at first at reduced rates.

'These directions are given to enable you to prepare a complete plan for submission to and confirmation by the conference.

'An Italian representative will take part in the work of the commission in regard to economic and financial questions arising from the decision taken in the present conference.'

Appendix 4 to No. 50

Translation of Note sent to M. Briand by Marshal Foch

The Rhineland High Commission's note of the 8th March, paragraph 3, states 'that it is indispensable to modify the boundaries of the bridge heads so that the length of the customs line is diminished so as to follow the German administrative lines.' The extent of the bridge heads cannot be diminished without serious military drawbacks. It is requested that no modification be made without the concurrence of the Allied High Command and Marshal Foch.

Paragraph 5 suggests that the newly occupied areas be placed under the authority of the High Commission. It is requested that this measure, which can only be taken in due course, be not effected without the concurrence of the Allied High Command and Marshal Foch.

APPENDIX 5 TO No. 50

Press Communiqué

The heads of the Allied delegations met this afternoon and settled various details of the application of sanctions to Germany in accordance with the views of their experts.

It was agreed that the sanctions will cease only when a satisfactory solution of the questions of reparation, disarmament, and war criminals has been accepted by the Allies.

The conference agreed to instruct the Allied High Commissioner of the Rhineland to invite the attendance of an Italian representative when economic questions resulting from the application of sanctions are under consideration.

Afterwards the discussion of the questions at issue between the Turks and Greeks was resumed.

March 9, 1921.

No. 51

I.C.P. 183] British Secretary's Notes of an Allied Conference held at 10, Downing Street, London, S.W. 1, on Wednesday, March 9, 1921, at 7 p.m.

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister (in the Chair); The Rt. Hon. the Earl Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; The Rt. Hon. A.

Chamberlain, M.P., Chancellor of the Exchequer; POLITICAL EXPERT, Mr. Vansittart; SECRETARIES, Sir M. Hankey, G.C.B., Mr. St. Quintin Hill; INTERPRETER, Major Ottley.

France: M. Briand, M. Loucheur, M. Berthelot; SECRETARIES, M. Massigli, M. Brugère.

Italy: Count Sforza; secretary, Signor Galli.

Japan: Baron Hayashi, Mr. Nagai; secretary, Mr. Saito.

INTERPRETER: M. Camerlynck.

Turkey and Greece

MR. LLOYD GEORGE asked whether anyone had seen the two 'belligerents.' M. Gounaris had not arrived, and he did not think there was any use in seeing M. Kalogeropoulos. Lord Curzon had seen Bekir Sami Bey that day, and would make a statement.

LORD CURZON said that he had seen Bekir Sami Bey, not because of anything that had happened at the morning's conference, but because of an engagement with Bekir Sami Bey, which had been standing for some days. The interview to-day had lasted for three-quarters of an hour and inter alia the question of the exchange of prisoners had been discussed. Bekir Sami Bey had expressed himself with ability, clearness and with a courtesy which had increased since his first appearance. At the beginning of the interview he had expressed the desire of the Turks to resume friendly relations with the principal Powers of the West. Lord Curzon had discussed with him the chief points outstanding in the Treaty of Sèvres. Bekir Sami Bey had said little about Thrace, but he had laid great stress on the claim of the Turks to the shores of the Sea of Marmora and the Straits. He was most anxious that, whilst giving all guarantees required as to the demilitarisation of the Straits, Turkey should be allowed to resume responsibility for them. Lord Curzon had told him that the Allies had suffered terribly from Turkish administration in the past, and that it was very unlikely that Turkey would be allowed to resume ownership of the shores of the Sea of Marmora.

The next point was Smyrna, and Bekir Sami Bey had indicated that if they could obtain satisfaction on this point the Turks would not be difficult in regard to the others. Lord Curzon had asked him how he proposed to act in regard to Smyrna, and had pointed out that the Powers had asked the Greeks to Smyrna during the course of the Paris Conference. The Greeks were there now, and in the course of fighting with the Turks had at times been very successful. Bekir Sami Bey had denied this, and had claimed that in the recent fighting the Turks had won a conspicuous victory, and the Greeks had suffered a military disaster. Lord Curzon had said that, nevertheless, the Greeks were in Smyrna, and that, unless the Turks were willing to agree to some accommodation, there would be nothing but fighting.

Lord Curzon had discussed with him some arrangement by which Turkish sovereignty might be retained, such as, for instance, a special arrangement for the town and another arrangement for the country outside the town, in

which the population was very largely Turkish. Bekir Sami Bey would not look at anything of this nature, and had declined any accommodation. Lord Curzon had then remarked that the Turks always claimed that all they desired was peace, and yet there was no result when it came to business. The Allied conference had been extremely obliging to the Turkish delegation (this Bekir Sami Bey admitted), but there was a gap between the views of the conference and those of the Turkish delegation. Did Bekir Sami Bey realise what this meant? The Greeks were anxious to fight. If hostilities ensued all prospects of peace in Asia Minor were at an end, and all prospects of peace between the Turks and the Allies. Therefore, in the interests of peace both for the Turks and for Europe, he asked Bekir Sami Bey to consider whether something could not be done at the last moment. Bekir Sami Bey had replied that, as regards Smyrna, nothing could be done. The Turks had defeated the Greeks before and they would do so again. Lord Curzon had enquired how the Turks proposed to defeat the Greeks, when they expected this would take place, and in what particular area. He had replied that they would defeat the Greeks anywhere in Asia Minor, and expected to do so in a few months. They would advance and the Greeks would be defeated. They would turn them out of Smyrna. By the time the Turks reached Smyrna, the Greeks would have had enough and would go of their own accord. The Turks would then resume complete occupation of Smyrna. Lord Curzon had not tried to move Bekir Sami Bey from this position, and he only mentioned this fact because it showed the spirit in which the Turks would come to the conference to-morrow.

It seemed to him that a failure as great or even greater than that which the Allies had experienced in connection with the Treaty of Versailles confronted them now. He had put it to Bekir Sami Bey whether he was prepared to fail at the London Conference as Dr. Simons had done. Dr. Simons had not, as a matter of fact, possessed full powers in that he did not have the confidence of his country. Did Bekir Sami Bey possess full powers? To this Bekir Sami Bey replied that he had full powers to act, but any powers he possessed were based on Smyrna. There could be no concessions on this point. At this remark Lord Curzon shook hands with Bekir Sami Bey, and bade him a polite adieu.

M. Briand said that he had interviewed Bekir Sami Bey that day, very probably after his talk with Lord Curzon, and had asked him whether he did not wish to come before the conference with reasonable proposals as regards Smyrna, and to come to an understanding on this point and on Thrace. Bekir Sami Bey had replied that the Turks were not making any conditions and were ready to accept anything in regard to the Vilayet of Smyrna. The Turks thought that the people in the vilayet were Turks—the Greeks denied it. The Turks were ready to accept the result of the enquiry which had been proposed, and if the Greeks were ready to accept it everything would be settled. M. Briand had put other points in the Sèvres Treaty to Bekir Sami Bey. He had said that he did not possess full powers

1 See No. 24, Appendix.

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to discuss those, but it would no doubt be possible to come to an agreement with the Greeks, and he hoped that the conference would settle these points. M. Briand had asked him to put aside all other considerations and to find a common ground in regard to Smyrna. He had replied that such a common ground could never be found because the Greeks would never accept Turkish sovereignty. M. Briand had never asked him if the Supreme Council could work out an arrangement with the Greeks, but he was disposed to think that this suggestion was worth while considering.

M. Gounaris had more power than M. Kalogeropoulos, and it would be worth while attempting to come to some agreement with him on the lines suggested by Lord Curzon. It might be possible to retain the sovereignty of the Turks, and perhaps the Greeks would accept it. If such a proposal were put forward by the Allies, both sides would be shaken. The trouble was that the Turks were convinced that the Greeks wanted to fight.

COUNT SFORZA stated that he had heard [? had] a conversation that afternoon with Bekir Sami Bey. It had followed practically the same lines as Lord Curzon's conversation with him, and he did not propose to trouble the conference with a detailed report. As regards M. Briand's last remark, he thought that it might be possible to arrange such a compromise, although it would be a difficult one from the Turkish point of view.

MR. LLOYD GEORGE said that he did not think that any compromise could be reached which involved the evacuation of Smyrna by the Greeks. The Greeks would rather fight; evacuation meant the fall of the dynasty, and Heaven knew what would happen then. If, however, the Allies indicated concessions, say, in regard to controls or boundaries in the East, things might be different. He was not at all sure that the Allies could not give up a good part of the international zone. This was not a definite proposal, but was only a suggestion for discussion. For instance, the Allies might retain a Gibraltar at Chanak, with Gallipoli in possession of the Greeks as it already was. They might then clear out of Constantinople and leave it to the Turks. For himself, he did not think that any of the Allied countries would be willing to keep large garrisons at Constantinople. Great Britain was not willing to keep forces there indefinitely for the purpose of maintaining order. Would it not be better to keep only the Dardanelles, and with the possession of this, Constantinople would be at the mercy of the Allies? Should not some such proposals as these be made to Bekir Sami Bey, and should we not say that we could give the Turks relaxations of control? In every protest he had seen from the Turks they had dwelt on that point. They said that they were not independent, and that they possessed merely sham sovereignty. He thought that we could meet the Turks, and that the Allied controls were ultra-stiff. The sooner the Allies relaxed their controls the better. They could then leave Mustapha Kemal to govern that part of the world. Then there might be something on the lines of Lord Curzon's proposals for Smyrna—giving the Turks the hinterland to Smyrna. They would not occupy it without that.

Then in Cilicia the Turks might be given a relaxation of frontiers. He understood that the French were contemplating giving up Cilicia.

All these offers might be made to Mustapha Kemal, who wished to go back to Turkey and say: 'I've got this scalp; I've got this, and this, and this'.

M. Briand remarked that the French taxpayers would not allow the French to stop in Cilicia.

MR. LLOYD GEORGE said that the Allies could hold the Dardanelles, and it would be cheap.

M. Briand agreed that it would be with a few good guns. He then referred to the question of exchanging prisoners.

Count Sforza remarked that the proposal of Mr. Lloyd George was very interesting. So far as Italian public opinion was concerned, there had been difficulties in sending troops to Constantinople. The idea had been very unpopular. And in regard to the proposed abandonment of Constantinople he thought that the concession might not appear so valuable to the Turks as we believed. They would think that if they returned they would be enslaved there and not free. At heart they had a desire to remain at Angora, because in that capital the Allies could not apply the screw to them. Perhaps the concession in regard to the Financial Commission would be the more important to them.

MR. LLOYD GEORGE said that the Allies were supposed to hold the Gallipoli Peninsula. All the towns in the Ismid Peninsula were under Allied control. He suggested that these should be given up. Scutari might be garrisoned by the Greeks; in fact, they were doing that now. They were at present garrisoning Ismid, and they might very well garrison Constantinople in the near future. No one could tell what a country would do in military matters. Because the Greeks had fought badly twenty years ago there was no saying that they would fight badly now. They might run, but then they might fight well. If they fought well he did not think that the Allies could keep them out of Constantinople. He therefore suggested that all the international zone at present controlled by the Allies should be given up, and that the Allies should retain only control of the Dardanelles by means of Chanak.

M. Briand said that Mr. Lloyd George's suggestion was interesting. It was certainly calculated to attract the attention of the Turks, who would see that big territories would be returned to them by it.

LORD CURZON remarked that the territories controlled by the Allies had not been taken from the Turks.

MR. LLOYD GEORGE said that nevertheless these territories were largely occupied by the Greeks. The Allies would tell the Greeks to leave Ismid. They would then leave Constantinople themselves and occupy merely their fortress in the Dardanelles.

At this point in the proceedings the following statement was read as a suggested basis for further discussions on this subject:—

- 1. The withdrawal of the Allied garrison from Constantinople and the Ismid Peninsula, which will remain entirely in the hands of the Turks.
- 2. The demilitarised zone to be reduced to a sufficient area on the south side of the Dardanelles to secure the free passage of the Straits.

- 3. The Allies to have the right to place troops and fortifications in the demilitarised zone.
- 4. Smyrna: Some arrangement which provides for the Turkish flag and Turkish sovereignty; Greek administration and garrison.
- 5. A relaxation of the financial and military controls in Anatolia.

Mr. Lloyd George, continuing, said that everything he had read had shown that the Turks desired more freedom in Asia Minor. The Allies could not exercise control even on the coast; how could they do so in the mountains? The French could not do it in Cilicia. How could the Allies control Angora, Sivas and Erzeroum? To provide for such controls was simply putting something into the treaty which was mere paper, and which made the Turks say that their independence was abolished. He thought that the controls over Turkey should be reduced to the mere minimum. Because of these controls the Turks were not allowed to raise their own taxes, and everything had to be done with the consent of the Powers. The Turks had not the control of a parish council in this country. They could not even strike a rate. That was the kind of thing that they objected to. If the Allies made substantial concessions, Bekir Sami Bey would have something to go back with to Angora.

M. BRIAND said: 'And we will be rid of them.'

MR. LLOYD GEORGE observed that the Allies were not going to make any money out of the Turks. What was the use of these controls if they did not produce any money?

M. BRIAND said: 'None.'

MR. LLOYD GEORGE suggested that the British, French and Italian delegations should evolve some definite proposals which could be put before the Turkish delegation. The Allies could then say to Mustapha Kemal: 'Here you are, here is something for you; if you cannot take it, then you must fight.'

M. Briand observed that the Allies would retain Chanak and Gallipoli.

M. Berthelot asked why Greek troops should be left at Gallipoli.

MR. LLOYD GEORGE replied that the Allies could not garrison Gallipoli; they must therefore leave it in the possession of a Power which was at their mercy. The Greeks were at the mercy of the Allies because they had Athens. If they closed the door of the Straits the Allies could always leave a card at Athens. Moreover, the population of Gallipoli was about 90 per cent. Greek.

He then enquired whether Bekir Sami Bey should not be approached informally. He felt that there was no use in summoning the Turks and Greeks to St. James's Palace only in order to receive a refusal from both sides. He would himself see M. Gounaris, but he had no influence over Bekir Sami Bey.

COUNT SFORZA said that the Italians and the French would see Bekir Sami Bey.

M. Briand again referred to the question of the exchange of prisoners.

LORD CURZON said that he had had a conversation with Bekir Sami Bey on that subject, but without very much success. While the British Government

were willing to undertake an equal exchange, or even to return a larger number of Turks than the number of British held prisoner by the Turks, Bekir Sami Bey had wanted a complete exchange of prisoners. In Turkish hands there were only 20 British prisoners, whereas the British held 130 Turks, of whom 70 were detained at Malta under serious charges of having been concerned in atrocities. As Bekir Sami Bey had insisted on a complete exchange, the matter had come to an end.

MR. LLOYD GEORGE said that if the Allies had come to an agreement with the Turks on everything else, and this had been the only outstanding question, he did not think it would be worth while remaining firm on the point; but the Allies had not yet come to an agreement.

M. Briand proposed that Mr. Vansittart,² Signor Galli and a representative of the French delegation should meet on the following day at 10 a.m., to discuss the proposals to be put forward to the Turks, on the lines suggested in the preceding minutes.

MR. LLOYD GEORGE remarked that M. Briand would see Bekir Sami Bey, and that he and Lord Curzon would see M. Gounaris.

M. Briand replied that he would see Bekir Sami Bey at 10 a.m. the next day. Count Sforza and a British representative (Mr. Vansittart) would be present.

MR. LLOYD GEORGE said that he would see M. Gounaris and M. Kalogeropoulos at 10.30 on the next day.

(The proceedings then terminated.)

2, Whitehall Gardens, S.W. 1, March 9, 1921.

² Lord Curzon's Political Secretary.

No. 52

I.C.P. 183A] Notes of a Conversation held at 10, Downing Street, London, S.W. 1, on Thursday, March 10, 1921, at 10.30 a.m.¹

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister; The Rt. Hon. the Earl Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; Sir M. Hankey, G.C.B., Secretary, Cabinet.

Greece: M. Kalogeropoulos, M. Gounaris, M. Rizo-Rangabé.

MR. LLOYD GEORGE said that the Turks had brought to London a large delegation which would represent the various interests in Turkey. He had felt that the decision now to be taken was so vital to Greece that M. Kalogeropoulos should have the advantage of the presence of one of his more important colleagues with whom he could confer as to the reply. That was why he had ventured to suggest to M. Kalogeropoulos that he should invite

A French translation of these notes is printed in Frangulis, vol. ii, pp. 209-13.

M. Gounaris to join him in England. To-day the Greek delegation would have to give an answer full of fate for the future destiny of the Greek nation. He did not know whether M. Gounaris and M. Kalogeropoulos had had an opportunity of conferring, or whether they had anything to say in regard to the proposals which the conference had placed before them. The Angora delegation had notified the conference that it would refuse anything which implied the retention by Greek troops of Smyrna.² In fact, they would consent to nothing short of evacuation of the Smyrna region by Greece. They were not prepared to accept any proposal such as he had outlined to M. Kalogeropoulos, providing for a nominal Turkish suzerainty, even though it were accompanied by some form of tribute. They said that the Greeks must clear out of Smyrna altogether. In short, Turkish rule over Smyrna must be as effective as it was over Angora.

LORD CURZON interpolated that it was only fair to add that the Turks had accepted the proposed enquiry by a commission.³

Mr. Lloyd George said that it was only true in the sense that the Turks had been willing to accept the Treaty of Sèvres. They knew perfectly well that the question of the population of Smyrna had already been twice examined and had been decided against them. Now that a third examination was proposed, which would reopen the question, naturally they were willing to accept it.

M. Gounaris said that he was glad of an opportunity to attend here in order to defend the rights and interests of Greece in collaboration with the Allies, whose interests and sentiments towards Greece had so often been manifested by their deeds. The Greek Government realised the difficulties of the situation, and would be glad if it were possible to discover a solution which would put an end to the difficulties without any further struggles or sacrifice. Unhappily, as he had gathered from the communication which Mr. Lloyd George had just made, the Turks would not hear of any other solution than one which would entail the withdrawal by Greece from Asia Minor. This rendered any conciliatory settlement quite impossible. Given that attitude on the part of Turkey, it was evident that the duty would fall to Greece to complete the mission which she had undertaken in accord with her allies, namely, the enforcement of the Treaty of Sèvres by means of her military forces. He had just come from Greece with the deep impression that the Greek people, without any difference of opinion, was whole-heartedly decided to make any sacrifice in order to enforce the Treaty of Sèvres. The military operation would surely bring about the dissolution of the Kemalist forces in a short time, which he estimated at about three months. He was confident that in this way the Treaty of Sèvres could be enforced in all its clauses upon the Turks, who would realise the impossibility of upsetting the results of the war. If this was not so, sooner or later the Turks would, by their deeds, put in question the whole situation which the Treaty of Sèvres had established, especially if the natural sentry, namely, the Greek army, was withdrawn from Asia Minor. The Greek Government were convinced that

² See No. 51. ³ See No. 24, Appendix.

the main objection of Turkey to the treaty was not so much the concession to Greece in Asia Minor as the régime established in the zone of the Straits, and more especially the provisions for securing a free passage. This régime would be threatened by the withdrawal of its principal guardian, namely, the Greek army. If the Allies abandoned the Treaty of Sèvres and followed another path, it was evident how strongly Turkey would be reinforced. If they achieved such a success it would simply lead to a great augmentation in the prestige of those who lead the Nationalist movement and whose tendencies and ambitions are immeasurable.

MR. LLOYD GEORGE said that he had just received a communication to the effect that M. Briand had seen Bekir Sami Bey and the Turkish delegation. He did not know what their answer was, but he would know at noon. He suggested that the Greek delegation should take the proposal in regard to the Smyrna region, which had been framed in the British Foreign Office for the consideration of the Greeks and the Turks, and, after studying it, should let the British Government know their opinion. The underlying idea of these proposals was more or less the same as he had suggested to M. Kalogeropoulos. It provided for Turkish suzerainty with Greek possession of the town of Smyrna, the rest of the Smyrna zone being placed under a Christian Governor, with a gendarmerie drawn from the population in proportion to its nationality in the different districts. That régime would exist for five years, after which either the Powers or the League of Nations would reconsider the whole question.

LORD CURZON added that the Greek troops would remain as a garrison to Smyrna. The administration in the interior of the Smyrna region would be conducted on the same lines as the gendarmerie, according to the nationality of the population of the various districts. He understood, for example, that there were some towns in the interior, and perhaps a few on the coast, where the population was mainly Turkish and not Greek. In those the gendarmerie and the administration would be primarily Turkish. Where, however, the Greeks were in the majority, the administration and the gendarmerie would be primarily Greek. That was the underlying principle. The boundaries of the Smyrna district, as defined in the Treaty of Sèvres, might have to be rearranged. These boundaries had been drawn in order to satisfy M. Veniselos, and had been based at certain points in accordance with strategical considerations. Under the régime now proposed these strategical considerations would disappear. Consequently, purely Turkish districts might revert to Turkey. It would be to the interest of Greece that villages whose inhabitants were entirely Turkish should not be within a Greek zone. A commission would have to be appointed to examine the whole question, but it would not be the same commission as had been contemplated by the conference during the recent sittings. In reply to a question by M. Gounaris, he said that a Christian Governor would be appointed either by the Powers or by the League of Nations, who would, of course, consult both parties and secure agreement. The document which he was about to hand to the Greek

4 See No. 53 below.

⁵ See Appendix below, p. 370.

delegation, had been drawn up in the Foreign Office merely as a basis for consideration, which, it was hoped, might be accepted by both sides, and as a possible compromise. (See Appendix.)

MR. LLOYD GEORGE said that Bekir Sami Bey had refused to look at anything of the kind, and he thought that M. Kalogeropoulos and M. Gounaris should know this. Of course, it might be put to Bekir Sami Bey again.

M. Gounaris said that, according to the opinion of Greek military experts, the boundaries of the Smyrna region had not been drawn in accordance with strategical considerations.

LORD CURZON agreed that this was not the case as regards the boundaries as a whole, but as regards certain parts strategical considerations had predominated. For the moment, however, the point was not one of importance.

M. Gounaris remarked that, according to this proposal, there would be two administrations, one for the town of Smyrna, and one for the district. What, he asked, would be their relations?

LORD CURZON said that there would not really be two administrations. There would be a single administration for the whole of the Smyrna Sanjak, with a Christian Governor. The case of each town or district would be examined, and the administration would be conducted according to the ethnological majority. He had always understood that in Smyrna town the Greeks predominated, although Bekir Sami Bey said this was not the case. There would be a series of local administrations in which the nationality would be different, according to the nationality of the population.

M. Gounaris asked whether there would be a central authority in the town of Smyrna over all these districts.

LORD CURZON said it would be necessary to appoint a commission to draw up the local administration. It was not possible to settle the details here; they would have to be settled on the spot. The commission, of course, would not be the same as had been proposed at the earlier discussions in regard to Smyrna.

M. Gounaris asked whether the Governor would be appointed over the whole zone or only over that of the city.

LORD CURZON said: 'The former.' Presumably, the Christian Governor would live in Smyrna.

M. Gounaris asked what was the difference between this proposal and the one previously made to M. Kalogeropoulos?

MR. LLOYD GEORGE said there was all the difference in the world. The commission proposed by the conference might have reported in favour of clearing the Greeks out of Smyrna and handing over the whole region to Turkey, if they had found that the Turks had a majority of the population. Lord Curzon's proposal, however, secured the town of Smyrna to Greece and provided a neutral Government for the whole sanjak, with a Greek administration in all kazas where the Greeks were in a majority. Further, in five years' time the whole situation would be reviewed. He thought the best plan would be for M. Kalogeropoulos and M. Gounaris to take away

6 On Feb. 24; see No. 22, Appendix, and No. 23.

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a copy of the scheme to study it, and in the afternoon to let him and Lord Curzon know their views. Meanwhile, he would have heard what Bekir Sami Bey had to say.

LORD CURZON said that M. Gounaris must understand that this scheme had been drawn up not by the Allies as a whole, but by the British Foreign Office, who had not yet shown it to their French and Italian colleagues, although he was quite prepared to show it to them at any time.

MR. LLOYD GEORGE added that he had made a somewhat similar proposal, though not identical with this draft, to the French and Italian delegations. He had also put that analogous proposal before Bekir Sami Bey, who had rejected it.

M. Gounaris asked if the present proposal had been shown to Bekir Sami Bey.

Mr. Lloyd George said: 'No.'

(The Greek delegation undertook to return later in the day and give their reply.)

Note.—After Lord Curzon's withdrawal, M. Kalogeropoulos referred to a verbal message he had received from Mr. Lloyd George, by Sir Maurice Hankey, on the previous evening, to the effect that if the Greek Government should consider it vital and of paramount importance to the security of their army to attack Mustapha Kemal's forces, the conference could no longer take the responsibility for restraining them.

Mr. Lloyd George confirmed Sir Maurice Hankey's message.

- M. Kalogeropoulos said that he had received a telegram from the Smyrna district, to the effect that Mustapha Kemal's forces had been increased, but that a fall of snow had prevented the Greeks from striking a blow at them for another fortnight.
 - 2, Whitehall Gardens, S.W. 1, March 10, 1921.

APPENDIX TO No. 52

1. The Greeks to be allowed to keep a garrison in Smyrna town.

2. Order to be maintained in the rest of the sanjak by a gendarmerie with Allied officers to be recruited in proportion to the numbers and distribution of the population (as reported by a commission (inter-Allied), not the one we have proposed).

3. The same proportional arrangement—equally, according to the report of the commission—to be made for the administration.

If there is a Greek majority this will ensure their real control of the country, more especially if there is,

4. A Christian Governor to be appointed by the League of Nations and assisted by an Elective Assembly and an Elective Council.

5. As an off-set to this the country so administered would be called the Vilayet of Smyrna, and

6. As proposed by the Prime Minister this morning, it would remain nominally

under Turkish sovereignty, even if, under the 'proportional' arrangement of the administration, the real control was Greek.

7. The Christian Governor would be responsible for the payment to the Turkish Government of a fixed annual sum which might be augmented with the prosperity of the province. It had better not be called 'tribute,' as that term might, for opposite reasons, give both Greeks and Turks something to cavil at.

8. Our great object is to get a provisional arrangement now, and peace, i.e., to tide over the period when this particular point is overheated. The heats will diminish. We should therefore add that this arrangement would be reviewed in, say, five years, on the demand of either party, by the League of Nations.

No. 53

I.C.P. 184] British Secretary's Notes of an Allied Conference held at 10, Downing Street, S.W., on Thursday, March 10, 1921, at 12 noon

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister (in the Chair); The Rt. Hon. the Earl Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; experts, Mr. Blackett, Treasury, Mr. Vansittart; SECRETARIES, Sir M. Hankey, G.C.B., Mr. Howorth, Mr. St. Quintin Hill.

France: M. Briand, M. Berthelot; EXPERT, M. Kammerer; SECRETARY, M. Massigli.

Italy: Count Sforza, Marquis della Torretta; expert, Signor Galli; secretary, Signor Guariglia.

Japan: Baron Hayashi, Mr. Nagai; secretaries, Mr. Saito, Mr. Yoshizawa.

INTERPRETER: M. Camerlynck.

Interviews with Turkish and Greek Delegations

M. Briand informed the conference that this morning Count Sforza and himself had interviewed the Ottoman delegates¹ and laid before them the proposals which had been discussed yesterday by the Allies. He had particularly emphasised the political, financial and economic aspects of the proposals. The Ottoman delegates had asked for time for consideration, and Count Sforza and himself proposed to meet them again at 4 o'clock this afternoon. As the result of the interview, the general impression left upon his (M. Briand's) mind was that the Turks were impressed with the proposals taken as a whole. In particular, Bekir Sami Bey and Reshid Bey, both during the discussion and subsequently in private conversation, had indicated their view that the proposals merited their careful consideration. At the same time they had taken pains to remind him that their powers were strictly limited, and that they had no authority to decide these particular issues. It would be necessary for them to communicate with the authorities in Turkey

As arranged on March 9, see No. 51, pp. 365-6.

and to obtain fresh powers. In any case, they would come with a considered reply at 4 o'clock to-day.

Mr. Lloyd George enquired whether the Turkish delegates had clearly understood that these proposals were conditional on the acceptance by them of the Allies' decision respecting Smyrna.

M. Briand replied that he had taken care to impress on the Turkish delegates that the proposals must be taken or rejected as a whole, and that at the moment they could only be regarded as made unofficially. If the Turkish delegates stated that they were empowered to accept the proposals as a whole, then the proposals would be submitted to them officially.

MR. LLOYD GEORGE informed the conference that he had that morning had a conversation with M. Gounaris and M. Kalogeropoulos.² He had obtained the impression that M. Gounaris was the man that mattered. He was the Greek Bekir Sami Bey, while M. Kalogeropoulos was the Greek Grand Vizier. The Greeks had made it perfectly clear that they were not in a position to compromise as regards Smyrna. On this point they could not have put their view more definitely or emphatically. They appeared to be convinced that the Greek army could defeat Mustapha Kemal with the greatest ease. In fact, they were as much convinced that they could beat Mustapha Kemal as Bekir Sami Bey was convinced that Mustapha Kemal could beat the Greeks. He (Mr. Lloyd George) had never seen two combatants who were so confident of being able to beat each other.

In the course of the discussion Lord Curzon had handed to the Greeks the proposals contained in a paper which Mr. Lloyd George submitted to the meeting. (Copy attached, see Appendix 1.)³

The Greeks, while expressing no opinion on the proposals in this paper, had asked many searching questions, and in particular M. Gounaris had shown himself to be very conversant with the situation and very competent. He had taken away the proposal[s] and promised to reply later in the day. One of the questions which he had put indicated perhaps that he had taken an unfavourable view of the proposals, and this question was a request for an explanation of the differences between the present proposals and the original propositions made to the Greeks by the conference.

LORD CURZON explained that under the present scheme it was suggested that there should be a commission set up whose duties should be to define the Greek and Turkish zones. When M. Gounaris had asked what the difference was between this and the original proposals, Mr. Lloyd George had replied that the functions of this commission were strictly limited in character, whereas the commission contemplated in the original proposals would have [?had] a completely free hand, and could, for example, have advised the withdrawal of the Greek soldiers and the substitution of a Turkish for a Greek administration. This explanation had seemed to satisfy M. Gounaris.

(M. Camerlynck translated the proposals into French.)

- ² See No. 52.
- ³ This document, not here reprinted, was identical with the Appendix to No. 52.

Lord Curzon added that with regard to item 1 it would be understood that the Greeks would have to withdraw their troops from the rest of the Smyrna zone.

In answer to M. Briand, Mr. LLOYD GEORGE said that he had alluded to these proposals in conversation with the Turks a few days ago,4 and that Lord Curzon had also mentioned them to the Turks in very general terms.5

M. Briand remarked that the references in the proposals to the League of Nations were very important, and it would be interesting to know what view the Turks took about them.

MR. LLOYD GEORGE thought that if the Turks accepted the proposals it would show that Bekir Sami Bey had very great confidence in the League of Nations.

M. Briand agreed, and remarked that of course the very great hopes and expectations regarding the League of Nations which had been raised throughout the world had also permeated Asia Minor.

M. Berthelot remarked that there was a Chinese proverb which said that hope is the dream of a waking man.

MR. LLOYD GEORGE thought that nothing fresh could be done until the conference were informed of the views of the Greek and Turkish delegates.

Treaty of Sevres. Proposed Military and Financial Concessions

M. Berthelot enquired whether the meeting could not now consider certain proposals contained in a paper which had been drawn up by the political experts (copy attached, see Appendix 2), dealing with certain military and financial questions arising out of the Treaty of Sèvres. If possible it would be very desirable if the French and British Governments could agree on these proposals.

Mr. LLOYD GEORGE said that he had been looking at the document in question and thought that it would be very convenient if M. Berthelot would explain precisely what the proposals involved.

M. Berthelot said that the proposals were of two kinds. The first referred to the military clauses of the treaty and the second were concerned with certain financial and economic concessions. M. Kammerer would be prepared to explain the points in detail.

M. Kammerer explained that from a military point of view it was proposed to reduce the demilitarised zone to the two sides of the Dardanelles and Bosphorus. There would only be military occupations at Chanak and at one point on the Dardanelles. Under the treaty all military works in these zones had to be destroyed and must not be rebuilt, and if this was insisted upon to the letter the continued occupation of Constantinople by the Allies would cease and the Turks, who would have full liberty outside the narrow zone thus demilitarised, would enjoy a free passage between Asia and what remained of their territory in Europe.

Secondly, it was proposed to modify the provisions under which Turkey was forbidden to have a conscript army and was only allowed to raise forces

4 Cf. No. 33, p. 274.

⁵ Cf. No. 51.

by voluntary means. The financial position of the country rendered it impossible for the Turks to maintain a properly paid army on a volunteer basis. The question arose whether it was possible or desirable to treat Turkey differently in this respect from Germany and other ex-enemy countries. He (M. Kammerer) thought that it was possible to do this, inasmuch as the other treaties were all actually in force, whereas the Treaty of Sèvres was not in force. The Allies, in any case, were not obliged to treat all their late enemies in precisely the same manner. The conditions in Turkey were quite different to those elsewhere and warranted exceptional treatment. It was proposed to increase the Turkish army to 75,000 men in all, including 30,000 special troops instead of 15,000, as discussed hitherto. A slight decrease of foreign officers was also contemplated, as it was desirable to increase the number of Turkish officers so as to find employment for a number of ex-officers who were at present out of employment and might easily become a danger to the country.

With regard to finance, it was proposed that the new Financial Commission should have as its honorary president the Turkish Minister of Finance for the time being. It was also desired to add to the commission a Turkish delegate, who should have a single vote and not two votes like the other delegates, and who should only be entitled to vote on questions with which Turkish finance was directly concerned. When the Financial Commission was discussing the questions in which Turkey was only indirectly concerned, such as the distribution of the Turkish debt, the annuities and reparations, the Turkish delegate would be present merely in a consultative capacity and would have no right to vote. Secondly, it was proposed to make certain concessions in the matter of the Turkish budget. The budget was to be approved in draft by the Financial Commission and then submitted to the Ottoman Parliament. That Parliament might have power to alter the headings and to vary details of expenditure provided that these modifications did not involve any change in the aggregate receipts, expenses or surplus respectively. Before these latter could be changed the budget would have to be returned and approved by the Financial Commission.

Thirdly, the Ottoman Government might be given power to formulate proposals for financial and economic concessions on the distinct understanding that the interests of the Turkish Treasury were safeguarded by the grant to the Financial Commission of an effective veto on such proposals.

Mr. Vansittart added that it was also proposed to give the Turks the permanent and effective chairmanship of the Straits Commission.

MR. LLOYD GEORGE remarked that he did not in the least like the proposed concessions respecting conscription. In his opinion, it would be most difficult, if not impossible, to allow Turkey to conscript troops and at the same time maintain a refusal in the case of Germany, Austria and other exenemy Powers. He quite realised that Turkey could not pay for a volunteer army, but at the same time he felt satisfied that the Turkish Government would get the men somehow or other. In any case, it would be most unwise for the Allies to admit, in so many words, the principle of conscription in Turkey.

COUNT SFORZA remarked that the Turks would no doubt raise a compulsory volunteer army.

MR. LLOYD GEORGE agreed. The position would be very much the same as it was in Great Britain at the time of the Napoleonic wars when, while nominally the men were regarded as volunteers, the press-gang and other similar means made the system really one of compulsion. He was convinced that if the Allies agreed to give Turkey a conscript army they could not, in the long run, refuse to make the same concession to Germany.

As regards finance, he confessed that he held heretical views. It seemed to him that the Allies were creating very elaborate machinery for raising money out of the barren rocks of Asia Minor. In point of fact, there was little or no money to be got out of that country. The Turkish Empire had been torn to pieces, and practically nothing of value would, in the end, be left in Turkish hands. It was, he thought, absurd to construct this huge machine for the purpose of collecting reparations and other pre-war and post-war Turkish debts. It had been difficult enough before the war to enforce the right of Turkish creditors. How much more difficult would it be in the altered circumstances of the present day! He himself was disposed to think that the Turkish delegates should be told that their Empire, having been torn to pieces and there being no intention of restoring it, the Allies had decided that the Turks must be called upon to pay as much as they could in reason be expected to pay, but that it was not proposed to set up an elaborate administration for the purpose. To erect all this complicated machinery would not make for peace in Asia Minor, but was being done very largely in the interests of British and French financiers, who, no doubt, found it highly profitable to fish in these troubled waters, and who looked anxiously for the time when they could dictate, through their numerous agents, to the future Turkish Government. For these reasons he would go much further than the proposals before the meeting, and he would do everything possible to give the Turks a free hand as regards finance. These particular concessions might have some value, but if he were a Turk he would not have looked at them.

M. Kammerer said that he would answer Mr. Lloyd George solely from the financial point of view. The experience of the French Government had been that the Ottoman Debt Commission had worked satisfactorily and efficiently before the war, and had contributed much to the interests of Turkey while protecting Turkish creditors. This commission had, however, fallen into disfavour with certain of the Allied Governments, and the British Government had invented, and had pressed very strongly, the new Financial Commission, the creation of which had been resisted by the French Government for a very long time. Ultimately, however, the French Government had acquiesced in the views of the British Government.⁶ The result would be that the Ottoman Debt Commission would disappear in 1923, and unless there was some body to take its place the consequences would be most serious. It was not for him to defend the proposed Financial Commission, which, as

⁶ For correspondence concerning the establishment of this Financial Commission, see Vol. XIII, Nos. 151, 154, 158, 190, 192, 194, and 204-5.

he had already pointed out, was an invention of Great Britain. No doubt the Turks would readily fall in with Mr. Lloyd George's proposals, but great care must be taken before the Allies committed themselves to giving Turkey a compulsory free hand in financial matters.

With regard to the future possibilities of Asia Minor, he would remind the meeting that the country had always been agriculturally prosperous, and in former times had been the granary of the Middle East. The position of the Government of Mustapha Kemal was very enviable from the financial point of view. He had no external debt, and no acknowledged internal debt. On the other hand, he was collecting taxes without difficulty at three or four times the rate in force before the war. Admittedly this condition of affairs could not continue for a long time, but it must not be forgotten that Asia Minor was a rich and fertile country with great future possibilities. This, of course, did not mean it could possibly bear the heavy charges incidental to the continued occupation of parts of the country by British, French, Italian and Greek troops.

It was in any case necessary, if anything was to be got out of Turkey, to have an efficient machine. For this, one might well consider a reorganisation of the Ottoman Debt Commission.

COUNT SFORZA remarked that the Turks would, no doubt, prefer to retain the new Financial Commission, because they thought it would be easier to get rid of than the Ottoman Debt Commission.

MR. LLOYD GEORGE said that he had been told that we were not collecting reparations, but that he thought there were some reparations, and 'some' meant a good deal for that part of Turkey. He thought that the Allies ought to take all these charges for occupation and get rid of them. Had not the Allies better close down at once as there was no money to be got out of Turkey. Peace meant a good deal to the Allies, who had spent more on quarrelling with the Turks than all the money which they could possibly get from reparations.

The Allies should say to the Turks, that they give up their claims. They could then go to the Greeks and say that they had made all these sacrifices and diminutions of their claims under the Treaty of Sèvres, and the Greeks would have to make sacrifices also. The same could be said to Mustapha Kemal. At present the only persons who were asked to make sacrifices were the Greeks. This was an impossible situation. It would be easy to make peace if everyone put his penny into the hat instead of it all being drachmas.

M. Briand replied that when he saw the Turks he had observed that they had something chiefly in mind. It was this. They had only recently established a Parliament, which had risen all hot from the embraces of the electorate. This Parliament expected to play a part in the moulding of Turkish policy, especially in regard to the budget. He thought that the existence of a commission which could exercise a veto, especially in financial matters, would result in an impossible situation, but it was important to conceal from the Turks, at the moment, the extreme concessions which the Allies were prepared to make. It was well known what the Turks were.

If concessions were made to them they would immediately ask for further concessions. Between the Allies it should be understood that they would go as far as Lord Curzon had pointed out. They would give very great concessions in regard to the payment of sums due in respect of occupation. Moreover, it would be understood that the costs of occupation would be given up on both sides, including the Greeks.

M. Berthelot added that, all the same, a certain control of the budget must be maintained. In any case, if the Allies forwent their claim for occupation expenses, the Greeks must renounce their claims also.

MR. LLOYD GEORGE assented and said that the Greeks would be included in this arrangement.

Count Sforza remarked that it was important not to lose sight of hard facts. If only the obligations of the treaty were in question peace could be brought about immediately, but there was a lion in the path, and that was Smyrna. The Allies could make all the concessions they liked, but there would still be the Smyrna question, which was the sore point.

MR. LLOYD GEORGE replied that the concessions proposed were only by way of giving something to the Turks in return for Smyrna. If they would not have this then—

M. Briand said that what might happen would be as follows: If the Allies insisted on the provisions of the Treaty of Sèvres, it meant the total destruction of an Empire. Naturally, there was a very violent reaction against the treaty. It was quite natural for the Turks to resist the treaty, but not all the Turks were of the same opinion. This difference of opinion was noticeable even in the delegation which had come to London. The delegation consisted of some reasonable people and of some extremists. At Angora, if they heard of the concessions which it was proposed to make in regard to the treaty, and which would allow Turkey to reconstruct herself and to live a normal life, he thought that there would be very little left of the Extremist Party, and these could be dealt with easily by the Allies. There would be a rush for peace when the Allies' proposals were heard, a rush which would be irresistible. If Bekir Sami Bey could inform his people of the Allies' proposals there would be a new revolution, but he must have time to tell them. Meantime, the Greeks wanted war. They were anxious to fight, and the Allies must not deny them this supreme satisfaction, if they really desired it. In the event of war, there were the two following possibilities:—

Firstly, either the Greeks would annihilate the Turks, and in doing so would settle the whole question; or

Secondly, there would be a check at some time or other to Greek progress, and no definite strategic result would be obtained. Then there would be a revulsion of feeling in Greece, and a tendency towards peace. Peace was in fact already desired by some people in Greece. That would be the opportunity for the Allies to bring the two conflicting peoples together. To-day, it would be a little premature to attempt to force a definite conclusion.

COUNT SFORZA said that he was all the more in agreement with M. Briand's opinion, because he was under the impression that Bekir Sami Bey

distrusted another member of his delegation even more than he distrusted M. Gounaris.

MR. LLOYD GEORGE asked whether this person was one of the Constantinople people, or one of Bekir Sami Bey's own people.

COUNT SFORZA replied that the person in question was one of Bekir Sami Bey's own people.

M. Briand said that if the reasonable elements of Turkey represented by Bekir Sami Bey could join forces with the somewhat fragile Tewfik Pasha he thought that they would, together, form an imposing figure.

MR. LLOYD GEORGE remarked that Tewfik Pasha was not an important person.

M. Briand said that he represented merely tradition.

MR. LLOYD GEORGE said that M. Briand would see the Turks this afternoon. He thought it undesirable to submit a written document to Bekir Sami Bey until the Allies saw what the Greeks would say about the matter. He was referring to the document which Lord Curzon had produced this morning in regard to Smyrna.⁷

M. Briand said that in the conversations he had had in regard to Cilicia with Bekir Sami Bey the latter had stated that the Turks were ready to give all guarantees possible as regards the Christian and Armenian population. There would be a mixed force in Cilicia with French officers and a mixed municipality. The Turks would give all the necessary guarantees.

MR. LLOYD GEORGE said that first of all M. Briand and Count Sforza would see Bekir Sami Bey at 4 p.m. in the afternoon, and discuss with him the subject which had been before the conference this morning.

MR. VANSITTART remarked that Bekir Sami Bey had asked for a written document.

M. Briand said that a document had been promised to him.

MR. LLOYD GEORGE observed that there was one very important point. If Bekir Sami Bey was under the impression that he was going to get all the concessions which had been referred to from the Allies and yet would not abandon his position that the Greeks should leave Smyrna, then peace would be no nearer.

COUNT SFORZA said that this had been made quite clear to Bekir Sami Bey.

LORD CURZON asked whether Bekir Sami Bey had a clear idea of the scheme.

COUNT SFORZA replied that he had.

LORD CURZON remarked that they had only dealt with generalities so far. COUNT SPORZA said that Bekir Sami Bey had understood that Smyrna would remain under the Turkish flag and Turkish sovereignty.

MR. LLOYD GEORGE said that Bekir Sami Bey should be asked to accept the principle of the Allies' proposals, and should be told that a detailed plan would be put before him later. The plan should not, however, be shown to him before the Greeks accepted it.

7 i.e. No. 52, Appendix.

M. Briand agreed that the detailed plan should not be shown to Bekir Sami Bey before the Greeks saw it.

MR. LLOYD GEORGE said it would be worth while to find out if Bekir Sami Bey accepts the principle and then tell him that a detailed plan would be put before him.

M. Briand said that when he had seen Bekir Sami Bey and Reshid Pasha (who was the most impressive figure in the delegation) they had had in their minds the question of the Russian population in Constantinople, which was a serious one, since the population in question had recently been growing very greatly.⁸ He personally had no doubt that the suggestions which had been made yesterday and which had been produced to-day were something that would interest the Turks very much. In spite of everything, Angora was not Constantinople, and for the wild cats the eaves of Constantinople might prove more comfortable. Perhaps the Allies might let their proposals be known.

MR. LLOYD GEORGE said that the Allies should not press the matter on too much.

COUNT SFORZA remarked that it was of no use to hope that the Allies would settle things at once.

M. KAMMERER asked whether any document should be given to Bekir Sami Bey.

MR. LLOYD GEORGE said he thought not. He had been very much impressed by what M. Briand had said, that the Allies should not press the matter forward too hard. No document should be given at the present juncture to Bekir Sami Bey.

M. Briand remarked that Bekir Sami Bey had been promised a document this morning and something would have to be said to him about it.

MR. LLOYD GEORGE said that he should be given a general idea, and no documents should yet be handed to him.

M. Briand asked whether Mr. Lloyd George would have a conversation with M. Gournaris [Gounaris].

MR. LLOYD GEORGE replied that M. Gournaris [sic] would come to see him as soon as he had made up his mind.

M. Briand asked whether the conference of the Allied delegations could not meet again at 5 or 6 in the evening.

MR. LLOYD GEORGE said that owing to a debate in the House of Commons this would be difficult unless the meeting took place in his room at the House of Commons.

M. Briand agreed to this proposal, and said that it would be very interesting to meet Mr. Lloyd George in the House of Commons and see him in the full exercise of his powers.

MR. LLOYD GEORGE said that the conference would reassemble in his room at the House of Commons at 6 p.m. the same day.

(The proceedings then terminated.)

2, Whitehall Gardens, March 10, 1921.

8 See No. 4, n. 7.

APPENDIX 2 TO No. 53

Draft proposals for modification of the Treaty of Sevreso

The Allies would be prepared to facilitate the admission of Turkey to the League of Nations on condition that they have proof of Turkey's readiness to execute the treaty as now modified.

They would be prepared to withdraw from the treaty the menace at present suspended over Turkey of expulsion from Constantinople in certain contingencies.

They would be prepared to concede to Turkey the chairmanship of the Straits Commission, on which Turkey should moreover have two votes instead of one as hitherto proposed.

The Allies would admit Turkish membership of the commission to prepare the scheme of judicial reform to replace the Capitulation[s].

The Allies are prepared to admit the increase of the Turkish forces to 30,000 special elements, and 45,000 gendarmerie. The latter would be distributed in agreement between the Turkish Government and the Inter-Allied Commission. The proportion of officers and non-commissioned officers admitted in the gendarmerie will be modified in a sense more favourable to Turkish desires, and the number of foreign officers will likewise be reduced and distributed in agreement between the Turkish Government and the Inter-Allied Commission, which might likewise be able to consent to some extension of the number and nature of military schools. An extension of the periods specified for demobilisation, reduction of armaments, &c., would also be accepted.

Further, in regard to the Straits, the Allies have in mind considerably to reduce the demilitarised zone which would be limited—

- 1. To the Peninsula of Gallipoli and the Marmora coast up to Rodosto.
- 2. On the Asiatic coast of the Dardanelles from Tenedos to Karabiga.
- 3. On the two shores of the Bosphorus to a depth of 20 or 25 kilom.
- 4. To the islands commanding the Dardanelles in the Ægean and the Marmora.

The Allies might also consent to the rapid evacuation of Constantinople, of the Ismid Peninsula, and to limit the Allied occupation to Gallipoli and Chanak.

They would also in these circumstances assent to the maintenance by Turkey of troops in Constantinople and to a Turkish right of free passage between Asia and Europe in the demilitarised zone of the Bosphorus.

The Allies might also be prepared to consider the possibility of giving to Turkey more satisfaction in the matter of the strength of her naval forces.

They would further be prepared to withdraw certain stipulations of the armistice still in force, and the provisions restricting Turkey's freedom to send officers abroad.

In the financial chapter the Allies are prepared to make substantial concessions in the sense desired by Turkey.

The Financial Commission would be placed under the honorary presidency of the Turkish Finance Minister, and Turkey would participate in the Financial Commission by a delegate with a vote on all questions affecting the internal finances of Turkey and a consultative voice in those affecting more specially the financial interests of the Allies.

The Turkish Parliament would have the right to modify the budget prepared in agreement between the Minister of Finance and the Financial Commission, but

These proposals were printed in The Times of March 14 (p. 17).



if these modifications were such as to disturb financial equilibrium, the budget would return for approval to the commission.

The Ottoman Government would regain its liberty in regard to the grant of concessions. The Minister of Finance shall, however, examine and decide in agreement with the Financial Commission whether the contracts are in conformity with the interests of the Ottoman Treasury.

The suppression of foreign post offices might also be considered on certain conditions.

Certain modifications in the definition of 'nationals of the Allied Powers' might also be contemplated.

In regard to Kurdistan, the Allies would be prepared to consider a modification of the treaty in a sense in conformity with the existing facts of the situation, on condition of facilities for local autonomies and the adequate protection of Kurdish and Assyro-Chaldean interests.

In regard to Armenia the present stipulations might be adapted on condition of Turkey recognising the rights of Turkish Armenians to a national home on the eastern frontiers of Turkey in Asia, and agreeing to accept the decision of a commission, appointed by the Council of the League of Nations, to examine on the spot the question of the territory equitably to be transferred for this purpose to Armenia.

In regard to Smyrna the Allies would be ready to propose an equitable compromise with a view to ending the present unhappy state of hostilities and ensuring the return of peace.

The region called the Vilayet of Smyrna would remain under Turkish sovereignty.

A Greek force would be maintained in Smyrna town, but in the rest of the sanjak order would be maintained by a gendarmerie with Allied officers and recruited in proportion to the numbers and distribution of the population as reported by an Inter-Allied Commission. The same proportional arrangement, equally according to the report of the commission, would apply to the administration.

A Christian Governor would be appointed by the League of Nations and assisted by an Elective Assembly and an Elective Council. The Governor would be responsible for payments to the Turkish Government of annual sums expanding with the prosperity of the province.

This arrangement would in five years be open to review on the demand of either party by the League of Nations.

No. 54

I.C.P. 184A] Notes of a Conversation in Lord Curzon's Room, Foreign Office, London, on Thursday, March 10, 1921, at 5.15 p.m.¹

PRESENT: British Empire: The Rt. Hon. the Earl Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; Mr. Vansittart; Sir M. Hankey, G.C.B.

Greece: M. Kalogeropoulos, M. Gounaris.

LORD CURZON asked whether the Greek delegation had any remarks to offer on the document which had been handed to them at the morning meeting.²

¹ For a French translation of these notes and of the Appendix, see Frangulis, vol. ii, pp. 213-18.

² See No. 52, Appendix,

M. KALOGEROPOULOS said it had been carefully considered and the Greek delegation were prepared to accept it, subject to modifications on certain points which were being embodied in a written communication which M. Rizo-Rangabé³ would bring shortly to the Foreign Office.

LORD CURZON invited the Greek delegation to explain the general lines of the modifications while they were waiting for M. Rangabé.

M. Gounaris said that generally it was impossible for Greece to abandon the basis of the Treaty of Sèvres, and their modifications arose from that.

The first point related to the Greek army, which, according to the Foreign Office proposal, was to remain in the town of Smyrna. The Greek delegation observed that the Greek troops should be charged to safeguard the security not only of the town but also of the whole region.

LORD CURZON recalled that there was a project for a gendarmerie for the latter purpose.

M. GOUNARIS said that that was not sufficient. The guarantee of the frontiers should lie with the Greek army in the event of the gendarmerie not being able to cope with a situation.

In regard to the gendarmerie itself, the Greek delegation wished to observe that not only the rank and file of the gendarmerie but also the cadres (officers and non-commissioned officers, &c.) should be found from the local population and in the same proportions as was proposed for the rank and file. During the intermediate period while the gendarmerie was being organised it should be under Greek officers.

LORD CURZON said that the Foreign Office proposal contemplated Allied officers.

M. Gounaris said that was difficult for the Greek Government to accept. Their view was that the cadres should be raised locally, in the same proportion to the population as the rank and file.

LORD CURZON said that Allied officers would provide the best guarantee of peace.

M. Gounaris said it was particularly difficult for the Greek Government to accept this, and he pressed that the proposal for Greek officers might be acquiesced in. He recalled that in Crete, before its annexation to Greece, a militia had been organised by Greek officers.

LORD CURZON reminded M. Gounaris that in Crete there had been a very large Greek majority.

M. Gounaris recalled the example of Macedonia, where the attempt by foreign officers to organise a gendarmerie had proved a failure.⁵

MR. VANSITTART said he thought the Powers would not admit that it was a failure.

LORD CURZON asked how the Greek delegation would envisage the situation in some place in the Smyrna area where the population was half Greek

- 3 Greek Chargé d'Affaires at London.
- 4 Cf. No. 33, n. 7. The annexation had taken place in 1913.
- ⁵ Foreign officers had begun to arrive in Macedonia in 1904, but revolution broke out there four years later.



and half Turk. Suppose that some unit of gendarmerie were raised there, how did M. Gounaris suggest that the officers would be found; from which portion of the population would they come? Would one unit or demi-unit be commanded by a Mussulman and another by a Greek?

M. Gounaris said that in such a case the officers would be mixed Greeks and Mussulmans.

LORD CURZON asked who would be the inspector.

M. Gounaris said the inspector would be chosen from the majority. If there was, for example, a municipal college or some other municipal institution, the administration would be elected numerically according to the different elements in the population, but the head would always belong to the majority.

LORD CURZON asked how this would be adjusted to changes in the population. It might happen that at the outset the majority of a certain place was Greek, but in course of time the course of trade or such considerations as a famine might cause the population to change, and the majority might then be Mussulmans. In the meantime the gendarmerie, with its cadres and the administration, would be representative of the old order.

M. Gounaris said he had thought of that, and for this reason he proposed to modify the plan whereby the initial arrangements were to be made by a commission. The Greek delegation's proposal was that the proportions should be fixed according to the result of elections in the district, conducted on the system of proportional representation. This criterion would change at each election, and after the four years contemplated by Lord Curzon, if the population had changed, the administration would automatically change also.

LORD CURZON pointed out that it was easy to change a local administration in accordance with changes in population, but, when speaking of a police force, such changes might be a serious matter. Did M. Gounaris contemplate that the whole cadre might change?

M. Gounaris said there were two ways of dealing with that. One was to increase the number of gendarmes in proportion to the changes in the proportion of the population and the other was to transport the superfluous population elsewhere.

M. Gounaris then came to the question of administration. If the system he had proposed for fixing the gendarmerie by proportional representation was adopted, he suggested it should be applied to the administration also. He suggested also that it would be necessary for the minority, even though it were a very small one, to be represented in the administration. He proposed that if the minority consisted of less than one-third of the population it should nevertheless have one-third [?share] in the local administration.

LORD CURZON asked who would be the voters.

M. KALOGEROPOULOS said all the citizens of 21 years and above would have a vote.

M. Gounaris said that, according to the Treaty of Sèvres, the franchise was to be fixed by the Greek Government and ratified by the League of Nations. The Greek delegation proposed to adhere to this.

M. Gounaris then raised the question of the Governor, which, he said, was a very difficult one. The Greek army was to remain in the town of Smyrna and was to be at the disposal of the Governor for keeping order. The army, however, was supplied by Greece, who was not to have the nomination of the Governor. The Greek Government were not disposed to accept that. They proposed that he should be nominated by Greece, subject to the ratification of the League of Nations, or, conversely, that he should be nominated by the League of Nations, subject to the ratification of the Greek Government.

LORD CURZON said it would be much easier for the Turks to accept the situation if it could be arranged from the outset that the Governor was a Christian but not a Greek.

M. KALOGEROPOULOS asked if he would be a Turk.

LORD CURZON said No-a Christian.

M. KALOGEROPOULOS said it would not be easy to find another Steriades [sic].6

M. Gounaris said that he had worked splendidly and had built up a magnificent administration.

LORD CURZON agreed that he had been a very successful Governor, but said it would be easier for the Turks if the Governor were not a Greek.

M. Gounaris referred to the precedent of Crete, where, after the Turks had been superseded, the Powers had first nominated Prince George of Greece, the son of King George, as High Commissioner. Afterwards they had given the right to Greece to nominate the High Commissioner, notwithstanding that at the time Greece had no direct political connection with Crete. The Greek nominee had been M. Zaimis, who afterwards became Prime Minister. This system had been accepted by the Turks.

LORD CURZON pointed out that the analogy of Crete was not at all agreeable to the Turks.

M. Gounaris said that the history of Turkey was that they had lost their rule in trying to govern territories inhabited by mixed populations. They had been unable to assimilate them and had gradually dissipated their strength in the attempt, yet they had never succeeded in finding a modus vivendi. That had really been the origin of the Eastern question. He developed this theme at some length. In the Vilayet of Smyrna the Turks had not succeeded in assimilating the local population, which was still more Greek than Turk. Moreover, if the strength of the population was taken into account there was a great difference to the advantage of the Greeks in the population. It was not merely a question of numbers, but of the force of the population.

LORD CURZON asked if M. Kalogeropoulos, while in London, had spoken to the Italians concerning the question of the Dodecanese.

M. KALOGEROPOULOS replied in the negative. He had spoken with the

- ⁶ The reference appears to be to M. Sterghiades, Greek High Commissioner at Smyrna.
- ⁷ Cf. No. 14, n. 2.
- 8 This right had been conceded in 1906 on the resignation of Prince George.

Italians only in regard to the programme for which he had been invited to London. Broadly speaking, he had found the Italians hostile, and their attitude was not encouraging. They were introducing contraband into Turkey and assassinating Greeks. He had received news of this from M. Steriades. Greece had a treaty with Italy in regard to the Dodecanese, and it ought to be executed.

LORD CURZON said that was why he had asked the question, as he had understood there was a definite agreement between the Italians and M. Veniselos.

M. Gounaris recalled that the agreement had been embodied in a treaty supplementary to the Treaty of Sèvres, which had been signed on the same day. First there had been an understanding between M. Tittoni and M. Veniselos in regard to the Dodecanese from the point of view of their respective rights, 10 and afterwards it had been embodied in the treaty signed simultaneously with the Treaty of Sèvres. By this they gave up all their rights to the islands except in regard to Rhodes, where a plebiscite was to be held in the event of Great Britain giving Cyprus to Greece, but the plebiscite was not to be before fifteen years from the ratification of the treaty.

M. KALOGEROPOULOS said that the Italians had recommenced persecutions in the Dodecanese and had even deported the Bishop of Rhodes.

M. Gounaris said that before leaving there was one question he wished to refer to, and that was the suggested payment from the Smyrna area to Turkey. He wished to avoid mention of the word 'tribute.' They would be willing to accept that proposal on the understanding that the revenue first covered the expenses of the administration and of the army, and that the surplus was divided in a proportion between Turkey and Greece.

LORD CURZON asked why Greece should have a proportion.

M. KALOGEROPOULOS said that this was as compensation for the expenses of the occupation.

(The meeting then adjourned, as Lord Curzon had to attend a meeting of the Allied conference.)

A copy of the document handed in by the Greek delegation is attached.

2, Whitehall Gardens, S.W., March 10, 1921.

9 The text of this treaty is printed in B.F.S.P., vol. 113, pp. 1078-80. Cf. Vol. XIII, Nos. 104-5, 107, 111-12, 115-18.

10 See ibid., No. 104, n. 2.

Appendix to No. 54

Reply by the Greek Delegation (handed to Lord Curzon on March 10, 1921, at 5.15 p.m.) to the Proposals handed to them on March 10, at 10.30 a.m.

1. Accepted on the understanding that the strength of the garrison is to be fixed by the Greek Government and will be calculated to secure the vilayet against any incursion.

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- 2. The cadres of the gendarmerie to be recruited from local elements and its organisation to be entrusted to Greek cadres, the latter to command the gendarmerie pending the recruiting and instruction of local cadres. The commission to determine the proportional participation of the various local elements in the gendarmerie would appear to be unnecessary. A better and simpler way would be to hold a ballot vote, the results of the latter to serve as a basis for the proportional participation in the gendarmerie.
- 3. Accepted with a reservation as to the commission which is regarded as unnecessary for reasons stated above. A minimum representation (e.g., one-third) should be stipulated for minorities, except in cases where there is only one occupant to be nominated, the occupant in such cases to be chosen from the majority.
- 4. The Governor to be nominated by the Greek Government, subject to the approval of the League of Nations, or to be nominated by the League of Nations on the proposal of the Greek Government.

5 and 6. Accepted.

7. Accepted with the proviso that Turkey and Greece shall each receive a quota only after deduction of the expenses of the administration and of general charges on the territory (including those of the upkeep of the garrison). It is desirable that a minimum and a maximum sum be fixed for the Turkish quota.

The Greek delegation, after careful study of the memorandum communicated to it by Lord Curzon of Kedleston, desires, in the first place, formally to state its inability to admit the principle of the revision of the Treaty of Sèvres. The Greek delegation cannot but continue to regard the latter instrument as constituting the lawful basis on which the relations of the signatory States with Turkey must rest.

However, in its desire to facilitate the work of mediation undertaken by the British Government in a spirit which it fully appreciates, and with a view to an immediate and durable re-establishment of peace in the Near East, the Greek delegation has the honour to inform the British Government, in strict confidence, that, in the event in which it should prove possible for the British Government to secure the acceptance by Turkey of the conditions laid down in Lord Curzon's memorandum, as modified in the appended note, it may count on acceptance by the Greek Government of an additional protocol to the Treaty of Sèvres defining the internal organisation of the Smyrna territory as outlined in the said memorandum and note.

It is, however, understood that the signature of such a protocol would be conditional on the maintenance of all other clauses of the treaty and on immediate and full application of these clauses on the part of Turkey.

London, March 10, 1921.

No. 55

I.C.P. 185] British Secretary's Notes of an Allied Conference held in Mr. Bonar Law's Room, House of Commons, on Thursday, March 10, 1921, at 7.15 p.m.

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister (in the Chair); The Rt. Hon. Earl Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; EXPERT, Mr. Vansittart; SECRETARIES, Sir M. Hankey, G.C.B., Mr. Howorth, Mr. St. Quintin Hill.

France: M. Briand, M. Loucheur, M. Berthelot; EXPERT, M. Kammerer; SECRETARIES, M. Massigli, M. Chastenet, M. Brugère.

Italy: Count Sforza, Marquis della Tor[r]etta; expert, Signor Galli; secretary, Signor Guariglia.

Japan: Baron Hayashi, Mr. Nagai; secretaries, Mr. Saito, Mr. Yoshizawa.

INTERPRETER: M. Camerlynck.

1. Meeting with Angora Delegates

M. Briand said that in pursuance of the previous arrangements¹ Count Sforza and himself had again interviewed the Angora delegates that afternoon, and had impressed upon them the importance, from a military point of view, of reaching some settlement. The Angora delegates, after cordially thanking the conference for the general attitude which it had adopted towards Turkey, had renewed their request for the documents to be handed to them officially, which contained the proposals of the Allies for the modification of the Treaty of Sèvres. They had repeated that their instructions did not justify them in assenting to the new proposals, and represented that it would be necessary for them to obtain fresh powers from the Grand National Assembly of Angora. For this purpose they would be glad if they could be formally handed copies of the document communicated by Lord Curzon to the Greek delegates (the 'Smyrna document'),2 and also copies of the document dealing with the general modifications of the Sèvres Treaty.³ He (M. Briand) thought that the Turkish delegates were entitled to have these documents, and that it was also desirable to make the same communication to the Constantinople delegation, which being more discreet than the Angora delegation, and claiming to be no less official, would be likely to exercise a useful influence in those circles in Turkey which were peculiarly moderate.

MR. LLOYD GEORGE remarked that the modifications proposed in the Treaty of Sèvres were of a very important nature, and he suggested that, instead of being placed, as at present, in a document which had to be read with the treaty itself, the effect of the modifications should be clearly and briefly summarised, and that this summary should be handed to the Turkish delegates to take with them to read to the Angora Assembly. If the assembly agreed in general principle with the proposals in the summary, the actual details could be worked out later. He thought, however, that it was most important that the assembly should have before it proposals which were quite definite, and about which there could be no subsequent misunderstanding or misconception.

LORD CURZON thought that a summary of this kind could easily be prepared.

¹ See No. 53.

³ i.e. No. 53, Appendix 2.

² i.e. Appendix to No. 52.

M. Briand remarked that Bekir Sami Bey merely desired to go to Angora and put the whole case before the Grand National Assembly.

MR. LLOYD GEORGE thought that this was quite a reasonable line to take. M. BRIAND said that he was anxious to leave to-morrow (Friday) morning. It was necessary for him to return to Paris, as the Parliamentary Committee on the French budget was cutting off 100,000,000 fr. every day that he was absent.

MR. LLOYD GEORGE remarked that he wished that we had such zealous economists in the British Parliament. He was convinced that every country could, and should, very substantially reduce its military expenditure.

The conference agreed—

To adjourn further consideration of the question until later in the evening, by which time it was hoped that the Foreign Office would have prepared a draft summary of the proposals for consideration.

2. Discussion with the Greek Delegates

LORD CURZON informed the conference that M. Kalogeropoulos and M. Gounaris had visited the Foreign Office that afternoon, and had given a summary of the reply to the tentative proposals submitted to them that morning, and had handed in a written answer later in the day.⁴ (A copy of this document is attached (see Appendix).)⁵ The Greek delegates had given certain explanations supplementing their considered summarised reply, and the general line taken had been that they accepted in principle the Allied proposals, subject to certain modifications of detail. Towards the close of the meeting the Greek delegates had reminded him of their reservation that any agreements they might now make must be subject to the maintenance in all fundamental respects of the Treaty of Sèvres, the acceptance of which must remain the basis of all negotiations. He (Lord Curzon) was satisfied that the Greek delegates had emphasised this point mainly to save face, and so as to be able to represent to Greece that they had never agreed to any fundamental alteration of the treaty.

Turning to the actual proposals, the Greek comments had been as follows:—

- (i) The garrison in Smyrna town. The Greeks had asked that, in case of an attack on the frontier zone or the external frontier, the Greek forces in Smyrna town should be allowed to move up to and to defend the frontier. They had explained that the troops would only reinforce the gendarmerie in cases of great emergency, and they had also asked that the Greek Government should have a free hand in fixing the number of the garrison of Smyrna town.
- (ii) The Greek delegates had accepted the proposals respecting the gendarmerie as regards the recruiting arrangements, but desired that it should be organised by Greek officers. Some discussion had taken place as
 - 4 See No. 54 and Appendix.
 - 5 This document was identical with the Appendix to No. 54 and is not here reprinted.



to what should happen in areas where the population was a mixed one, and the Greeks had stated that no difficulty would in fact arise. In such areas there would be Greek units with Greek officers, and Moslem units with Moslem officers. He (Lord Curzon) had then enquired what would happen in areas where the character of the population underwent an entire change; how would it be possible to fit the gendarmerie arrangements to the altered circumstances? In practice, no doubt, gendarmerie officers not belonging to the faith of the majority would be dismissed, but the Greeks had thought that the difficulty could be surmounted either by the gendarmerie being increased or by the officers in question being shifted to some other area. In their written communication the Greeks had made certain minor reservations to this paragraph.

- (iii) The Greek delegates had pressed that a minority, however small, should be given a one-third share in the administration.
- (iv) As regards a Christian Governor, they were most anxious that he should be a Greek, whether he was nominated by the Greek Government and appointed by the League of Nations, or be [sic] nominated by the League of Nations on the advice of the Greek Government. He (Lord Curzon) had strongly advised them to accept a Christian and not to press for a Greek Governor.
- (vii) With regard to the payment of a fixed annual sum, the Greek delegates were prepared to agree on condition that the cost of the administration and the garrison should be a first charge on the amount. They had also made, what seemed to him, a very dangerous proposal, namely, that they should only be required to hand over to the Turkish Government the balance after defraying thereout the expenses of the Greek occupation of the Smyrna Vilayet during the last two years. In effect, this constituted a demand for the payment of the whole cost of the Greek occupation of Smyrna.

The general impression left on his mind by the interview had been that the Greek delegates were accepting the broad principles in a perfectly sincere manner, and it seemed to him that the points raised by the Greeks were all capable of discussion and settlement.

M. Briand remarked that this was quite possible. There was, however, one point in Lord Curzon's remarks which was disturbing to him. That point was the contention of the Greek delegates that the Treaty of Sèvres must be fundamentally maintained. This attitude, if really pressed by the Greeks, would make it very difficult, if not impossible, for him to carry any proposals through the French Parliament. M. Gounaris seemed to have forgotten that the Greek people had recalled King Constantine against the express wishes and advice of the Allies, and in the face of the warnings, which had been given, of the serious consequences of such recall. If the Greek attitude was merely adopted by them in order to save their faces, he (M. Briand) had nothing to say; but if, on the other hand, he was to be asked to agree to the Treaty of Sèvres standing unaltered in substance, he must make it clear that he could not give his assent. It was impossible for France to remain in Cilicia. The French Parliament was very restive on the question of the heavy

credits necessary to maintain the French army in Cilicia, and the Budget Committee was refusing to pass the estimates. It was absolutely essential, therefore, that some settlement should be reached. If M. Gounaris could not be forced to moderate his extreme demands, no agreement was possible; but if, on the other hand, he adopted a reasonable attitude, then the Turks and Greeks could undoubtedly compromise their difficulties and the Allies could confirm and approve the compromise.

The Angora Turks should be allowed to return to Angora, but a few members of the delegation should remain in London, and also a few members of the Greek delegation should remain here, so as to keep the negotiations alive.

The Greeks must not be permitted to think that they had a ground for claiming that the Allies forbade them to take the offensive.

LORD CURZON said that as regards the Treaty of Sèvres it was clear that in any case important alterations and modifications would have to be made, and the correct procedure would be that these should be incorporated in a protocol, which would have to be drawn up and duly executed by all the interested parties.

MR. LLOYD GEORGE said that it would be wiser not to press the Greeks further. Bekir Sami Bey was not in a position to negotiate and it would be bad business to go on pressing the Greeks. The Allies should leave the proposition where is [it] was, and not go further.

M. BRIAND agreed. It would, however, he said, be a good thing to be able to state the formula regarding Smyrna. What Lord Curzon had said regarding Smyrna was of the greatest importance. The Turks should be informed of the Greek reservations, as these were very important to the Turkish view of the question. Perhaps Mr. Lloyd George might think it well to let the Greeks and Turks remain at no great distance so as to keep in contact with them. They understood that some of the delegations would remain.

MR. LLOYD GEORGE said that this might be a very good thing. It would not make very much difference to Greece if M. Kalogeropoulos remained.

M. Briand agreed.

MR. LLOYD GEORGE asked what should be done with Tewfik Pasha.

M. Briand said he was not quite sure.

MR. LLOYD GEORGE said that the Greek and Turkish delegations might leave just a few members.

LORD CURZON suggested that a copy of the actual note which had been left by the Greeks might be circulated to the Allied delegations. The document contained a little more than the Greeks had said in their conversation with him. The text went a little further than the conversation.

M. Briand suggested that something in writing might be handed to the Turks.

LORD CURZON assented to something in a general form being given to the Turks.

MR. LLOYD GEORGE suggested that something might be drafted for this

purpose, and that the draft might be examined at a further meeting of the conference after dinner.

M. Berthelot said that a draft such as that suggested had nearly been completed by M. Kammerer and Mr. Vansittart.

M. LOUCHEUR suggested that the Turks should be seen at 11 a.m., Saturday, the 12th March. The French delegation wished to leave London on Saturday afternoon.

MR. LLOYD GEORGE agreed, and asked what about the Arab.

M. Briand said that the person in question was attacking the French in Syria and had already succeeded in clearing them out of two or three places.⁶

MR. LLOYD GEORGE said that he was a pretty formidable fellow and had already cost the British £30 millions to £40 millions in Mesopotamia.6

M. Briand said that the French now had him on their hands and found him rather heavy.

MR. LLOYD GEORGE said he should be seen.7

M. Briand asked whether he as well as Mr. Lloyd George should see the Arab and whether this interview should take place in private. The difficulty was that hostilities were going on in Syria and popular opinion in France would not understand an interview between M. Briand and General Haddad.

MR. LLOYD GEORGE pointed out that Mustapha Kemal was also fighting against the French.

M. Briand replied that the Arab was a new enemy.

MR. LLOYD GEORGE remarked that apparently the French did not mind being killed by the Turks.

M. Briand agreed, and suggested that the interview might take place after dinner the same evening.

MR. LLOYD GEORGE enquired where General Haddad was staying and was informed that his address was 12A, Berkeley Square.

MR. LLOYD GEORGE asked M. Briand if he would see General Haddad with him.

M. BRIAND agreed.

MR. LLOYD GEORGE suggested that the interview might take place at 9.30 the same evening.8

M. Berthelot remarked that he and M. Loucheur could not be present at the interview because they had another engagement.

COUNT SFORZA said that, to return to the Turks and Greeks, would it not be profitable for the Allies to inform both parties that they (the Allies) had made every effort to bring both parties together? If, however, the Turks and Greeks insisted on fighting they would do so at their own risk and at their own expense. He thought that such a warning would be useful to both Turks and Greeks.



⁶ For Arab activity in Syria and Mesopotamia, see Vol. IV, Chap. II and Vol. XIII, Chap. II; cf. also No. 18 above, n. 12.

⁷ Cf. No. 18, minute 2.

⁸ See No. 57 below.

M. Briand assented, and said that the Turks and Greeks should be warned that they would fight at their own risk.

MR. LLOYD GEORGE then invited Count Sforza, Signor Galli, M. Kammerer and M. Massigli to join him and M. Briand at dinner.

(The proceedings then terminated.)

2, Whitehall Gardens, S.W., March 10, 1921.

No. 56

I.C.P. 186] British Secretary's Notes of an Allied Conference held in Mr. Bonar Law's Room, House of Commons, on Thursday, March 10, 1921, at 9.30 p.m.

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister (in the Chair); EXPERT, Mr. Vansittart; SECRETARY, Mr. St. Quintin Hill.

France: EXPERT, M. Kammerer; SECRETARY, M. Massigli.

Italy: Count Sforza; secretary, Signor Galli. Japan: Mr. Nagai; secretary, Mr. Yoshizawa.

The following were present for the latter part of the discussion only:

The Rt. Hon. the Earl Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; Sir M. Hankey, G.C.B.; M. Briand.

INTERPRETER: M. Camerlynck.

The conference reassembled to consider the draft of the definite proposals to be handed to the Greeks and Turks as a basis for pacification. The draft had been prepared in accordance with the conclusions of the previous conference held on the 10th March at 7.15 p.m. (I.C.P. 185). A copy of the draft is attached as an appendix to these minutes.²

COUNT SFORZA said that it should be made plain to the Greeks that if they had recourse to arms they did so at their own expense and risk.

MR. LLOYD GEORGE replied that he thought it was important to refrain from giving any impression that the Allies wished to prevent the Greeks from attacking. If the Greeks did not attack, and Mustapha Kemal brought up his troops and succeeded in holding the Greeks, the latter would say that their non-success was due to Allied interference. He would leave the Greeks to do what they liked: the responsibility would then be theirs.

M. Kammerer said that perhaps the Powers should make some declaration.

MR. LLOYD GEORGE doubted whether it was necessary to make any declaration.

- ¹ See No. 55.
- ² Note in original: 'See Appendix 2 to I.C.P. 184', i.e. No. 53, Appendix 2.



M. KAMMERER remarked that Bekir Sami Bey would say that he had no powers.

MR. LLOYD GEORGE said that it would only take him ten days to get sufficient powers. As a matter of fact, he knew that the Greeks would not attack for fifteen days.³ There was plenty of time. It would, therefore, be better for the Allies not to say anything.

COUNT SFORZA thought that not to say anything would be unfair to the Greeks. In the bottom of his heart Gounaris would welcome a declaration.

MR. LLOYD GEORGE replied that Gounaris certainly would, because then he would always be able to blame the Allies for any failure in the Greek operations. He (Mr. Lloyd George) did not want the personal responsibility for restraining the Greeks. His position was a peculiar one, because he was the only person present of those who had invited the Greeks to go to Asia Minor in 1919.4

COUNT SFORZA admitted that he saw Mr. Lloyd George's point of view.

MR. LLOYD GEORGE said that Mr. Wilson⁵ was there, and so was M. Clemenceau in 1919. He was the third party, and therefore he could not take the action suggested. Count Sforza and the other members of the conference were free to do so, but he personally could not, nor could Mr. Balfour.⁶ To-day he had been told that the Greeks were not going to attack for fifteen days. This delay gave the Allies some time. Things would not develop into a great battle; the season was too early, and there was still snow on the mountains. If the Allies intervened and the Greek operations did not succeed, the Greeks would not attribute their ill-success to the snow, but to the Allies. It was best to leave it to the snow. Everything would be all right; there would not be a battle, and there was plenty of time for Bekir Sami Bey to go back to his Government.

M. Kammerer stated that M. Briand had said that the Allies could take up the position that having failed twice, the three Powers were, nevertheless, always at the disposal of the Greeks and Turks.

MR. LLOYD GEORGE said that that would be the thing to say. Besides, the Allies would have to persuade the Greeks. The fact that they had taken the present line gave him some influence with the Greeks, and this influence he desired to preserve. He knew that there would be no attack because of the snow, but he would not have been told this if he had not told the Greeks they were free to attack.

M. Kammerer said that if the Greeks did not attack, the position would remain as it was for months and months. It would be terrible to have no peace in the East for months.

MR. LLOYD GEORGE said that in any case there would be no fighting for a month. If they really meant peace, they had a month to bring it about.

³ See No. 52, p. 370.

⁴ Cf. No. 15, n. 3.

⁵ Mr. Woodrow Wilson, the then President of the United States.

⁶ Mr. A. J. Balfour had been Head of the British delegation to the Peace Conference at the time when the decision was taken.

Mr. Lloyd George then proceeded to consider the proposals to be put before the Turks. (See Appendix.)⁷

The following is a summary of the discussion on these proposals:

Paragraph 1

MR. LLOYD GEORGE asked whether the Turks wished to be admitted to the League of Nations.

M. KAMMERER replied that they had asked for this.

COUNT SFORZA confirmed this.

Paragraph 5

MR. LLOYD GEORGE remarked that the draft did not abolish conscription. He thought this was rather dangerous from the point of view of the Germans.

M. KAMMERER replied that the Turks intended to get conscription.

MR. LLOYD GEORGE said no doubt they would get it, but it should not be put into the new arrangement.

Paragraph 6 [? i.e. paragraphs 11 ff. on p. 380 above]

MR. LLOYD GEORGE remarked that he did not like the financial clauses of the Sèvres Treaty. He thought these clauses deprived the Turks of the very essence of liberty. The treaty had been ruined by the Foreign Offices of the Allies, who had insisted on these financial controls.

M. Kammerer remarked that this was much more the work of the Treasury and the French Ministry of Finance.

MR. LLOYD GEORGE said that he had been told that the Turks were much more distressed about the financial controls than anything else. He hoped that if the Turks wished to have a little more freedom in these matters, they would be given it.

MR. VANSITTART remarked that no doubt the Turks would come back again with further requests.

Paragraph 13 [?i.e. paragraph 6 on p. 381 above]. Armenia

MR. LLOYD GEORGE remarked that this paragraph did not mean very much.

MR. VANSITTART said that it was a means of suspending matters for the moment.

MR. LLOYD GEORGE asked whether Lord Curzon had seen the draft.

Mr. Vansittart replied that Lord Curzon had not seen the draft.

The discussion in regard to the draft proposals then ceased.

MR. LLOYD GEORGE then said that he thought the best plan would be for Bekir Sami Bey to be seen by representatives of all the Allies, and that the proposals which they had just discussed might be handed to him by Lord Curzon, Count Sforza, and M. Berthelot.

(At this point M. Briand and Lord Curzon entered the room.)

MR. LLOYD GEORGE asked whether they had settled Haddad.8

M. Briand remarked that Haddad was a terrible person.

⁷ See n. 2 above.

⁸ For the meeting referred to, see No. 57 below.

MR. LLOYD GEORGE then said, referring to the draft proposals in regard to Turkey, that he had been through them, and that they seemed to be quite right. He thought that the next meeting might be a meeting with all the delegations, and he thought Bekir Sami Bey might be summoned to it.

(At this point M. Camerlynck entered.)

LORD CURZON asked whether the Greeks should be present too.

MR. LLOYD GEORGE was at first inclined to doubt whether this was necessary. He finally agreed, as they were concerned with Gallipoli.

(At this point Sir M. Hankey entered.)

MR. LLOYD GEORGE then asked whether there was anything else for the conference to consider. He referred to the question of the Lithuanians.

LORD CURZON said he did not propose to bring this question before the conference, as the League of Nations had handed the matter over to a commission sitting in Brussels.⁹

M. Briand said that the Lithuanian question was the only one which the League of Nations had to deal with, and they would complain if the Allies took it away from them.

He then enquired when the Austrians would be seen.

MR. LLOYD GEORGE replied that they would be seen on Saturday. 10

SIR M. HANKEY enquired whether the Austrians would be seen at St. James's.

MR. LLOYD GEORGE assented.

LORD CURZON remarked that the interview with Bekir Sami Bey would not take more than five minutes.

Count Sforza said that he had a suggestion to make which might be received favourably by the financial committees of the Allied Parliaments. Italy had only one battalion in Constantinople, and could not, therefore, decrease her military units in that town, but since an agreement would probably be made with the Turks, would it not be possible for the Allies to give orders to reduce their effectives at Constantinople? Such a course would make the Allies' proposals more attractive to the Turks.

MR. LLOYD GEORGE said that the trouble was that the Allies had thousands of Wrangel's men at Constantinople, who had been brought there and left stranded by M. Millerand.¹¹ If the effectives of Allied troops were reduced, it would be a very serious matter. He did not wish for any reduction until the whole responsibility was handed over to the Turks, who could then do what they liked.

M. KAMMERER said that the only hope was that the Bolsheviks would collapse, and Wrangel's men could then return.

M. Briand remarked that they would not go back.

He then enquired in what form the proposals should be communicated to the Turks.

See L/N.O.J., No. 2, March-April 1921, p. 181; cf. Vol. XI, No. 700, n. 1.
 March 12.
 See No. 4, n. 7.

MR. LLOYD GEORGE said that Bekir Sami Bey should be invited to St. James's Palace, and the proposals should be communicated formally to him. M. BRIAND agreed.

MR. LLOYD GEORGE said that a copy would have to be given to Tewfik Pasha's delegation.

SIR MAURICE HANKEY said that Lord Curzon had raised the point whether the Greeks should not be present also.

MR. LLOYD GEORGE said that the Greeks could be called in.

The conference agreed:—

To reassemble at St. James's Palace on Saturday morning, March 12, to meet the Turks and Greeks at 11.30 a.m., and the Austrians at 11.45 a.m.

(The proceedings then terminated.)

2, Whitehall Gardens, S.W. 1, March 11, 1921.

No. 57

I.C.P. 186A] Notes of a Meeting held in the Prime Minister's Room, House of Commons, on Thursday, March 10, at 9.30 p.m.

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister; The Rt. Hon. the Earl Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; Sir M. Hankey, G.C.B.

France: M. Briand.

Arab State: General Haddad Pasha.

Interpreter: M. Camerlynck.

(Note.—The following does not purport to approach a verbatim record of what occurred. The conversation, which was conducted almost entirely between M. Briand and General Haddad¹ was entirely in French and extremely rapid. It is only possible to mention some of the salient points.)

MR. LLOYD GEORGE explained to General Haddad that the pressure under which the conference had been working had prevented them from hearing him before.

GENERAL HADDAD thanked the Prime Minister for having been given an opportunity, and said that the Emir Feisal was most grateful for this meeting. As M. Briand was leaving to-morrow he would be glad if he could nominate someone to whom General Haddad could address himself after M. Briand's departure. He then started to read, in English, a note which he had prepared (appendix).

MR. LLOYD GEORGE suggested that as it was already late and the conference had further work to do that night, and as M. Briand was leaving on the following morning, General Haddad could hand in the note for M. Briand's

¹ Cf. No. 18, minute 2. Mr. Lloyd George presumably left after his introductory remarks to attend the meeting recorded in No. 56 above.

consideration. As M. Berthelot was remaining in London, perhaps M. Briand would be willing to put him in touch with General Haddad.

GENERAL HADDAD agreed, but said he would like to have some conversation with M. Briand. (From this point on the conversation was conducted entirely in French between General Haddad and M. Briand.)

General Haddad, after explaining that he had no desire to hide anything or to act in any way against the interests of any Power, stated that he regarded Great Britain and France on exactly the same footing as the two Great Powers with which the Arab State had to deal. He warned M. Briand in some detail that the present procedure of the French Government in Syria was putting the whole of the population against France and would result in very serious trouble. If the present attitude towards Emir Feisal were persisted in it was his conviction, and he knew his country very well, that France would not have peace. France had promised to the Arabs to give them counsel and advice, and the Arabs had accepted, but they had never consented to French domination.²

M. Briand interposed at this point to insist that France did not want domination. At the present moment the Turks had been let loose against France and there had been much fighting, but France did not want domination. France's policy was to reduce the amount of French rule and interference to a minimum everywhere. In Syria there was a great diversity in the population; France desired the establishment of local administrations which would rule with the utmost freedom and with the minimum of interference in all parts of the country. At the present moment military operations were in progress and the introduction of this system of local administration was difficult to complete in its entirety. Nevertheless this was the policy of France.

GENERAL HADDAD then started to urge the Emir Feisal's claims and protested against the French suspicions of the Emir. He described Feisal as a true gentleman.

M. Briand said that he himself had formerly been a partisan of Feisal and had seen him in Paris. He had, however, proof of his double dealing, and that he had made different statements in the presence of the French to what he had made elsewhere. He asked if General Haddad could assert that at the present moment Feisal was doing nothing against France.

GENERAL HADDAD then repeated his assertions as to the good faith of the Emir Feisal and the misconceptions of his character by the French.

M. Briand then repeated the statement that France desired no domination, but only to create an administration under the natives with a maximum of liberty and a minimum of interference. France, however, had to resist the action of Mustapha Kemal. Did the population of Syria show any desire for the return of the Emir Feisal?³ All his enquiries showed the exact reverse.

² Cf. Vol. IV, Nos. 416 and 421. For the French attitude towards the Emir Feisal in 1920, see Vol. XIII, Chap. II passim.

³ For the flight of the Emir Feisal from Syria in July 1920, see Vol. XIII, Nos. 289, 291-2, and 294.

What they wanted was liberty and this was to be achieved by setting up the local administrations. Feisal had been given a trial, but had not proved reliable. So long as Feisal was there, France required troops all over the country. The moment he left the country this had no longer been necessary. He himself had given his promise to the Chamber and to the Senate to try and reduce troops and it would be impossible for him to restore Feisal.

GENERAL HADDAD during the course of the above statement had constantly interrupted with a defence of Feisal on various points, but seeing there was no more to be done in that direction he asked if the French Government would have the same objection to another member of Feisal's family.

M. Briand said that the term 'member of the family' was a somewhat vague one. There were in Syria many Arabs who had remained purely Arab, but there were others who were as highly civilised as any Western people. These were perhaps the most interesting part of the population, and these protested violently against the return of Feisal, which meant an Arab administration. What they wanted was a European administration. That was the basis of France's policy in establishing local administrations. In the great towns such as Damascus, Beirout, &c., this was essential.

GENERAL HADDAD pointed to the case of Egypt, where there were some towns like Alexandria which were to all intents and purposes European towns and others which were purely native towns. He raised the question of the relationship between the local administration and the Central Government.

M. Briand said that France contemplated setting up some sort of federal organisation.

GENERAL HADDAD again pressed M. Briand for an answer as to whether France would accept another member of Hussein's family.

M. Briand said that a considerable part of the population was very advanced and only desired liberty. Consequently it was intended to reduce the amount of French intervention in the French administration to a minimum. They showed absolutely no sign of any desire for the return of Feisal or any other member of his family. Moreover, Abdulla had raised trouble for France in Syria.⁵

GENERAL HADDAD then entered into a defence of Abdulla in the course of which he related how that very day he had received a despatch, the general purport of which (though not completely understood by the secretary) appeared to be that in order to avoid offence to the French, Abdulla had withdrawn from Transjordania.

M. Briand said he was convinced that the inhabitants of Syria had no desire for a king, or for anything more than local administration in the great towns connected by some federal system under the control and tutelage of France as already indicated.

GENERAL HADDAD said that if M. Briand would read the newspapers of Syria, notwithstanding that those were produced under the French censorship, he would find a very different story.

- 4 i.e. the family of King Hussein of the Hedjaz,
- 5 See No. 18, n. 12.

M. Briand said he would call for reports of these newspapers and again repeated his declaration of general policy. He knew of many nations that put up with a king when they had one, but of none which desired to bring in a king if they had not one. This was the case in Greece.

The net result of the conversation was that M. Briand undertook to have General Haddad's paper translated and to study it carefully. He also authorised General Haddad to get in touch with M. Berthelot before the latter left London, and if necessary to come to Paris. He also undertook to obtain reports as to the attitude of the Syrian press and to study them.

After the conversation General Haddad told me that he had not expected to obtain any definite result from it, but had particularly desired to get in touch with the French delegation which up to now he had entirely failed to do. Nevertheless he considered it important to have had this opportunity of making a statement before M. Briand.

He asked me to express the Emir Feisal's warm thanks to the Prime Minister and Lord Curzon for giving him even this late opportunity, and said that when the Emir Feisal received the message, he at once said that he thought it was very good of Mr. Lloyd George and Lord Curzon to summon General Haddad at that late hour.

M. P. A. HANKEY

2, Whitehall Gardens, S.W., March 10, 1921.

APPENDIX I TO No. 57

Memorandum submitted to the Conference of the Allied Powers at the House of Commons on March 10, 1921, by General Haddad Pasha (Hedjaz Army), delegated by His Royal Highness Emir Feisal on behalf of His Majesty King Hussein

(A.J. 278.)

The Arabs entered the war on the side of the Allies with certain clear aims. They wished to obtain their independence, and become once again a free people, masters of their destiny. But my father, His Majesty King Hussein, did not undertake the responsible and dangerous task of leading the Arab revolt before he had obtained assurances from His Britannic Majesty's Government that the Arabs would reap a reward commensurate with the risks they were to run and the sacrifices they were to make. Those pledges, given to my father by the British Government, offered to the Arabs the definite promise of independence within the limits included by a line drawn from Alexandretta along the 37th degree of latitude up to the Persian frontier and then down to the Persian Gulf; on the west, the boundary was to be the Red Sea, the Peninsula of Sinai and the Mediterranean. Certain reservations were made by the British Government, to some of which my father assented; he claimed that the others, which affected only a comparatively small portion of the whole area involved, should be settled by discussion when the war was over. My father considered that, in view of the pledges given to him, the

⁶ See Cmd. 5957 of 1939 (the McMahon-Hussein correspondence of 1915-16); cf. Vol. XIII, No. 342.



essential unity and independence of the Arab-speaking provinces of the Turkish Empire were secure in the event of the success of the Allies; accordingly he threw himself into the struggle, and called on his fellow-Arabs to join his standard. With what patriotism they came forward from every part of the Arab provinces to perform their comparatively small, though not unimportant, part in the common task, every reader of the official communiqués issued during and after the war is aware.

To none of the Allies has the peace brought more bitter disillusion. The Arabs have not gained independence, and they have lost even the relative unity they enjoyed when they owed a common allegiance to Constantinople. That the Arab provinces should be separated can be justified by no considerations of practical statesmanship; still less justification is there for the division of provinces into various separate and independent States. Racially they are homogeneous; economically they are interdependent. Unless there is complete freedom of trade throughout the whole country, neither Syria, in which I include Palestine, nor Mesopotamia can flourish; indeed, they are so closely united that nomad Arab tribes pass and repass naturally from the one to the other every year. Again, from a military standpoint, the Arabs can only hope to withstand the pressure from the north, which is one of the constant factors of Middle Eastern history, if they can show it a united front. Divided they must fall; united they can defend their frontiers and maintain that security from external menace which is the indispensable preliminary to orderly progress.

These observations appear so obvious that I should have hesitated to submit them to the conference had not the Allied Powers ignored them, as far as the Arab provinces are concerned, in the settlement they have drawn up for the Middle East. They have not even established any link or bond which, in the future, might become a factor in the attaining of that unity.

That the Allied Powers have interests in various parts of the Arab provinces my father has admitted, and he would be the first to say that the Arabs should regard such interests and relations with due and proper respect. The Allied Powers have also made declarations to racial entities, which my father again is glad to discuss in a liberal spirit, though there may have been nothing said about them in the pledges he holds from His Britannic Majesty's Government. But such discussions should be inspired by the sentiments expressed by the President of the United States on the 4th July, 1919 [1918]:—

'The settlement of every question, whether of territory, of sovereignty, of economic arrangement, or of political [relationship], upon the basis of the free acceptance of that settlement by the people immediately concerned, and not upon the basis of the material interest or advantage of any other nation or people which may desire a different settlement for the sake of its exterior influence or mastery.'7

These principles, moreover, the leading statesmen of the Allied Powers have frequently declared to guide their policy.

I have to submit, therefore, on behalf of His Majesty King Hussein, that this conference should reconsider the treatment meted out to the Arabs by the Treaty of Sèvres. I stand here on behalf of the Arabs, and solemnly ask for that independence and unity for which we fought, and for which many thousands of my countrymen



⁷ President Wilson was speaking at an Independence Day celebration at Mount Vernon; cf. The Times, July 5, 1918, p. 7.

laid down their lives. We wish to maintain the friendly relations with the Allied Powers that existed between us while we were brother nations in arms; we wish to do no detriment to the legitimate interests of any foreign Power; but above all we wish, with the passionate patriotism that we share with other peoples, to be free to order our own national life, so that our race with its great history may once again develop its genius and contribute, as in the past, to the common stock of human civilisation. Until this desire is satisfied, peace, which is one of the main objects of this conference, can never be established in the Arab provinces.

Appendix 2 to No. 57

Explanatory Notes appended to the Memorandum submitted to the Conference of the Allied Powers at the House of Commons on March 10, 1921

(Handed in by General Haddad Pasha on behalf of His Highness the Emir Feisal.)
(A. I. 278A.)

- 1. His Royal Highness, on behalf of King Hussein, objects to the mention of 'mandate,' which is not in the pledges. The spirit of the Covenant of the League of Nations, as expressed in article 22, paragraph 4, does not appear to be incompatible with the aspirations of the Arabs. But the wording is indeterminate in meaning. The text of the mandates, as published in the papers, has shown how an interpretation contrary to this spirit has been adopted. To this interpretation King Hussein and all the Arabs will undoubtedly refuse to agree. King Hussein asks therefore that the definition of this assistance shall be corrected to make it clear that the intentions of the Allies are simply to provide the assistance mentioned in the pledges, without in any way impairing the national independence which the Arabs have been made to understand since 1915 was the policy of the Allies to secure.
- 2. By the Treaty of Versailles the High Contracting Parties agreed to the Covenant of the League of Nations enacted in twenty-six articles. This is incorporated in the treaty. The same procedure was adopted when framing the Treaty of Sèvres; every article of the covenant is also an integral part of this treaty. Juridically, no article of the treaty should be in contradiction with any other. Article 22, paragraph 4, states: 'The wishes of these communities must be a principal consideration in the selection of a mandatory.' Article 94, paragraph 3, states: 'The selection of the mandatories will be made by the Principal Allied Powers.' No reference is made to the wishes of the populations. This omission leads evidently to misapprehension, because the Allied Powers at San Remo ignored article 22 in allotting the mandate without consulting the wishes of the populations.
- 3. I am particularly instructed by His Highness to declare that it is not with the object of refusing to accept the assistance of any special Power that he is making the above objection. This objection is made as a question of principle, and applies to all the Arab provinces. King Hussein is very anxious that the interests of all the Allied Powers should be alike respected, and he is ready to accept the assistance mentioned in the pledges given to him before entering the war, always provided such assistance will not impair the national independence.
- ⁸ Texts of the draft mandates for Mesopotamia and Palestine, as prepared for submission to the Council of the League of Nations, were published in *The Times* of Feb. 3 (p. 10) and Feb. 5, 1921 (p. 7) respectively. Cf. also No. 18, n. 10.

9 See Vol. VIII, No. 16, minute 1.

1. xv 401 p d



- 4. There is another aspect of the question which does not encourage King Hussein to ratify the treaties. The Emir Feisal wishes me to place the following facts before the conference, trusting they will be considered with the same sincerity as prompts him to enumerate them. The population of Mesopotamia does not exceed 2½ millions, and the British garrison, including non-combatant forces, amounts to 220,000. In Palestine there are 50,000 men [? troops] in a population of 600,000. The Syrian provinces occupied by the French contain a population of about 2 millions. The total French forces, including non-combatants, amount to 160,000 men. All these various armies are equipped with the most modern instruments of war (with the possible exception of poison gas), invented for the defeat of a common enemy. And all this is with the object of subduing a small nation which took shelter during the war with the Allies in order to throw off the yoke of slavery. This people cast in its lot with you at the most critical time of the war. Now we find your troops in occupation of our territory, and that in numbers which exceed in proportion to the civilian population even those enemy provinces in which there are Allied troops to-day. And in addition to all this you have martial law still in force. Is this treatment justified? The result of it is the people of the country are leaving in large numbers, either of their own desire or by compulsion. Some are in India, some in Egypt, others in Corsica and other parts of Europe, to say nothing of the thousands who are emigrating to America, just as they used to do before the war. His Highness has ordered me to draw your attention specially to the great number of gallant officers who fought with him during the war, and were wounded by the enemy's bullets, that are to-day under sentence of imprisonment, exile or death by the military courts of the Allies in the different provinces; and to point out also that the people, who during the war served the interests of the enemy, are to-day taken by the occupying forces as their favoured supporters, while those who fought with them in the field are in exile, or deprived of the power of serving their country. If you take these things into consideration you will at once realise the causes of the troubles, and the reason why King Hussein does not ratify the treaty.
- 5. In conclusion, the Emir Feisal considers that if the Allies will render real assistance to the Arabs, as they promised to King Hussein, setting aside every idea of domination or rule by the sword, he has no doubt that the Allies will at once find themselves in a position to withdraw the huge armies, because the people of the country will be the greatest friends to the Allies, as they were in the difficult times of the war.
- 6. If the conference approves of these principles, and accepts them, the Emir Feisal wishes to submit certain other points in the Treaty of Sèvres to your reconsideration, such as—
 - (1) The privileges and prerogatives always enjoyed by the Hedjaz, and respected when it was under Turkish sovereignty;
 - (2) The questions arising out of the Awkaf¹⁰ and other religious responsibilities undertaken by the Hedjaz;
 - (3) The settlement of the economic relations between the Arab provinces;
 - (4) The composition of the commission to delimit the frontiers of the Arab provinces, referred to in article 94;

And other subsidiary questions.

10 i.e. the evkaf or Muslim commission concerned with the administration of vakuf, i.e. land held in trust for religious or charitable uses.

I.C.P. 187] British Secretary's Notes of an Allied Conference held in St. James's Palace, on Saturday, March 12, 1921, at 11.40 a.m.

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister (in the Chair); The Rt. Hon. the Earl Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; The Rt. Hon. A. Chamberlain, M.P., Chancellor of the Exchequer; experts, Mr. Blackett, Treasury; Mr. Vansittart; SECRETARIES, Sir M. Hankey, G.C.B., Mr. Howorth, Major Ottley, Mr. Sylvester.

France: M. Loucheur, M. Berthelot, Count de Saint-Aulaire; EXPERTS, M. Kammerer, M. Avenol, M. Petsche; SECRETARY, M. Massigli.

Italy: Count Sforza, Signor Meda, Marquis della Torretta; experts, Comm. d'Amelio, Comm. Giannini, Comm. Sigismondi; secretary, Signor Galli.

Japan: Baron Hayashi, Mr. Nagai; secretaries, Mr. Saito, Mr. Yoshizawa, Viscount Inouye.

INTERPRETER: M. Camerlynck.

GREEK DELEGATION: M. Kalogeropoulos, M. Gounaris, M. Caftanzoglou, M. Sicilianos, Captain P. Argyropoulos, M. Gounarakas, M. Maximos, M. Rizo-Rangabé.

MR. LLOYD GEORGE said that the conference had given very careful consideration to the representations made by the Greek and Turkish delegations, and had also had several opportunities of conferring privately with the leading members of both delegations.¹ In the result the conference had decided to submit to both the Greek and Turkish delegations proposals for modifying in certain respects the Treaty of Sèvres.² The conference did not ask the Greek delegation to give an immediate answer to the propositions in question. No doubt both the delegations would wish to give these important proposals most careful consideration. The conference would, however, be obliged if, after the proposals had been fully examined and the conclusion of the Greek Government reached with regard to them, notification of that conclusion could be sent to the conference with as little delay as possible. He would now formally hand over to the Greek delegation the document containing the proposals to which he had referred.

(For copy of document handed to the Greek delegation, see Appendix.)3

M. Kalogeropoulos said that the Greek delegation desired to thank the conference most cordially for the reception given to the representations which the delegation had laid before it. The Greek delegation would examine the proposals contained in the document which had just been handed to him with the closest attention, and would treat those proposals with the care which their importance to Greece demanded. In accordance with the wishes

¹ See Nos. 17, 19-21, 24-26, 32-34, 36, 52-55.

² See Nos. 55 and 56.

³ This document was identical, except for a slight difference in paragraphing, with Appendix 2 to No. 53 and is therefore not reprinted here.

expressed by Mr. Lloyd George, he would undertake, on behalf of the Greek Government, to give a reply to the conference with the least possible delay.

(The proceedings then terminated.)

No. 59

I.C.P. 188] British Secretary's Notes of an Allied Conference held in St. James's Palace, on Saturday, March 12, 1921, at 11.45 a.m.

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister (in the Chair); The Rt. Hon. the Earl Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; The Rt. Hon. A. Chamberlain, M.P., Chancellor of the Exchequer; experts, Mr. Blackett, Treasury; Mr. Vansittart; secretaries, Sir M. Hankey, G.C.B., Mr. Howorth, Major Ottley, Mr. Sylvester.

France: M. Loucheur, M. Berthelot, Count de Saint-Aulaire; EXPERTS, M. Kammerer, M. Avenol, M. Petsche, and, for last part of discussion only: M. Pontalis, M. Seydoux, M. Cheynon, M. Felcourt; SECRETARY, M. Massigli.

Italy: Count Sforza, Signor Meda, Marquis della Torretta; EXPERTS, Comm. d'Amelio, Comm. Giannini, Comm. Sigismondi; SECRETARY, Signor Galli.

Japan: Baron Hayashi, Mr. Nagai; secretaries, Mr. Saito, Mr. Yoshizawa.

INTERPRETER: M. Camerlynck.

TURKISH DELEGATES:

Constantinople: His Highness Tewfik Pasha, Grand Vizier; His Excellency Reshid Pasha, Ottoman Government Delegate at London; His Excellency Osman Nizami Pasha, Ottoman Government Delegate at Rome; His Excellency Chevki Bey, Turkish Minister at Stockholm; EXPERT, Kiazim Bey, Director-General of Finance; SECRETARY, Colonel Sir Edward Ion Grogan.

Angora: His Excellency Bekir Sami Bey, Deputy for Amassia, Minister for Foreign Affairs (President of Delegation); Djami Bey, Deputy for Aidin; Khousrew Bey, Deputy for Trebizond; Zekiai Bey, Deputy for Adana; Yamous Nadi Bey, Deputy for Smyrna; SECRETARIES, Dr. Nihad Reshad Bey, Dr. Mahmoud Essad Bey.

MR. LLOYD GEORGE informed the Turkish delegations that, after hearing in conference the views of the Greek and Turkish delegates, and after having had various opportunities for private consultation with the leading members of the delegations, the conference had decided to submit certain proposals to both the Turkish and the Greek delegations for the careful consideration of their respective Governments.¹ The proposals to which he referred would have the effect of modifying in a very material respect some of the most important provisions of the Treaty of Sèvres. He was about to hand over to

¹ Cf. No. 58, nn. 1 and 2.

the Turkish delegations copies of a document containing the proposals in question, but he did not ask the delegations to examine those proposals at the moment. It would be only reasonable that the delegations should have time to give the most careful consideration and examination to these proposals, with a view to their effect being fully realised by the Constantinople and Angora Governments. The delegations should, therefore, take the proposals back to their respective Governments and at the same time should recognise the importance of furnishing the conference with an answer on the earliest possible opportunity. If there was anything in the proposals which the Turkish delegations did not perfectly understand they were at liberty to ask questions. In the meantime, it was his duty to hand the documents to the delegations.

(The document handed to the Turkish delegations was in terms identical with that previously handed to the Greek delegation. A copy is attached (Appendix 1).)²

TEWFIK PASHA thanked the conference for the attitude it had adopted regarding the modifications in the Treaty of Sèvres suggested by the Turkish delegations. In order that the delegations might be able to agree on an answer to be made to Mr. Lloyd George's remarks, he requested a brief adjournment.

(The Turkish delegations withdrew and consulted among themselves for twenty minutes.)

On the return of the Turkish delegations, Tewfik Pasha informed the conference that, after having exchanged views, the members of the Constantinople delegation desired to read a short statement and would be grateful if the conference would give that statement its most careful consideration.

(A copy of the English text of the statement read by Reshid Pasha, on behalf of the Constantinople delegation, is attached (see Appendix 2).)

Bekir Sami Bey asked the leave of the conference to be allowed to read a statement, and he also begged the conference to read certain telegrams which his delegation had received from Trebizond and Eastern Thrace.

(A copy of the English text of the statement referred to by Bekir Sami Bey is attached (see Appendix 3).)

(The English translation of the two telegrams referred to by Bekir Sami Bey will be found in Appendix 4.)³

MR. LLOYD GEORGE informed the conference that the heads of the Allied delegations would consult together for a few minutes.

(The proceedings were resumed at 12.40 p.m.)

Mr. LLOYD GEORGE said that the replies of the Turkish delegations showed that there was a misconception of some importance in one particular, and, inasmuch as the delegations were about to consult their respective Governments, it was of supreme importance that the misconception should be at once removed. He would remind the conference of the present position.

2 Not printed; see No. 58, n. 3.

3 Note in original: 'French text printed.'

4 See No. 60 below.

Originally certain propositions had been made to the Greek and Turkish delegations by the conference, under which the question of Thrace and Smyrna was to have been examined by an impartial commission appointed by the conference.⁵ This proposal had, however, been rejected by the Greek delegation, after reference to the Greek Government, on the ground that two examinations of this character had already taken place, and that they did not see their way to accept a third examination, which, in their view, would serve no useful purpose. The Turkish delegations had also referred the proposition to their respective Governments, and in the end had only been able to give the conference a conditional acceptance.⁷ In these circumstances the conference had decided to abandon the proposed examination by an impartial commission and to seek some other means of securing a possible settlement of the disputes and differences between the Greek and the Turkish authorities. After careful examination, the conference had put forward a new suggestion, which was embodied in the proposals which had been handed that morning to both the Greek and Turkish delegations. He (Mr. Lloyd George) must, however, emphasise in the strongest possible manner the fact that these new proposals were not supplementary to the original proposal, but were in complete substitution for that proposal. The Turkish delegations, in their reply, appeared to assume that the investigation by the impartial commission into the question of Thrace would proceed. This, however, was not the case. As he had already pointed out, the present proposals must be entirely substituted for the original proposals, the latter being regarded as having been withdrawn. These new proposals must be examined as a whole and on their merits. They must be accepted or rejected as a whole, without any reference to the original proposals. It was most important that this condition should be clearly recognised before the two Turkish delegations returned to Turkey to lay the proposals before their respective Governments.

Bekir Sami Bey replied that the Turkish delegates had taken note of the communication made to them that morning by the conference. With regard to Mr. Lloyd George's remarks, he only wished to say that the Turkish acceptance of the original proposals had not been conditional. All that now remained for the Turkish delegates was for them to take note of the remarks which had just been made by Mr. Lloyd George and to submit the new proposals, with Mr. Lloyd George's explanation, to their respective Governments. As regards the contention of the Greek delegation that there had already been two examinations of the Thrace and Smyrna questions, he himself only knew of one examination, which had been an investigation of a statistical nature undertaken by the Greeks themselves, and he understood that the results had not turned out favourable to the Greek point of view.

(The proceedings then terminated.)

- 2, Whitehall Gardens, S.W., March 12, 1921.
- ⁵ See Nos. 22 and 23.
- 6 See Nos. 32 and 34.

⁷ See No. 35, n. 2.

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APPENDIX 2 TO No. 59

Statement made by Constantinople Delegation to Inter-Allied Conference at the Meeting on the Morning of March 12, 1921

The Ottoman delegation wishes to express to the Supreme Council its profound thanks for having taken into consideration the claims formulated by the delegation with a view to securing an independent existence to Turkey.

The delegation takes note of the decisions which the Supreme Council have communicated to it in this respect and will hasten to submit the decisions to the Imperial Government.

Without desiring to enter into an examination of the modifications proposed, the Ottoman delegation desires to observe that the maintenance of a Greek garrison in the town of Smyrna will be incompatible with the exercise of Ottoman sovereignty recognised by the Supreme Council for the Smyrna Vilayet.

The presence of such a garrison would be besides a source of perpetual disputes, and the Ottoman delegation therefore request the Supreme Council in the general interests to remove this restriction of Turkish sovereignty.

As regards Eastern Thrace, the Ottoman delegation reminds the Supreme Council of Turkey's eager acceptance of the proposal to proceed with an enquiry into the ethnical condition of the population in the certainty that this territory would, in the result, be restored to Turkey, with which it is indissolubly united from the economic, political and ethnical points of view. In fact, it is clear that Constantinople is naturally and indispensably a dependant on Eastern Thrace, without which this city would have neither security nor the possibility of its existence.

The Ottoman delegation is accordingly of opinion that it is indispensable that the sovereignty of Turkey over Eastern Thrace should be also recognised and safeguarded in a manner which the Supreme Council may decide to be the best for the assurance of peace.

APPENDIX 3 TO No. 59

Statement made to the Inter-Allied Conference by the Angora Delegation at the Meeting on Saturday Morning, March 12, 1921

The delegation of the Grand National Assembly of Turkey hastens to express its thanks to the Supreme Council for having been good enough to take into consideration the just claims of the Turkish people.

In refusing to agree to the equitable proposals of the Allied Powers relative to the setting up of an international commission of enquiry, Greece has admitted that her contentions regarding the existence of Greek majorities in Thrace and Smyrna respectively are without any foundation. In these circumstances the Turkish delegation declines to accept the responsibility for the resulting delay in the restoration of peace in the Near East, notwithstanding the best goodwill which she has shown by adhering to the proposals of the Supreme Council. At the same time Turkey thinks it her duty to request the Allied Powers, in the interests of peace, to withhold from Greece their moral support and their financial assistance.

With regard to the propositions which the Supreme Council has thought fit to make, the Angora delegation thinks it necessary to lay these proposals before the Grand National Assembly before taking a decision in this matter, this question being beyond the authority granted to the delegation by the Grand National Assembly.

Confident in the sense of justice of the Allied Powers, the Turkish delegates look forward to the speedy resumption of the negotiations with a view to reaching a definite solution of the Eastern question.

APPENDIX 4 TO No. 59

[i] Greek Orthodox Community of Trebizond to Allied Ministers

Excellence,

Nous soussignés, représentants de la province et de la ville de Trébizonde, la plus ancienne et la plus importante au point de vue historique, géographique, commercial et économique des contrées situées sur le littoral de la mer Noire, ayant lu dans les journaux que des démarches auraient été faites auprès des représentants de l'Entente par rapport à l'avenir politique de notre contrée, comptons de notre devoir de porter respectueusement à votre connaissance ce qui suit:

1. Nous ne pouvons admettre en aucun cas que Trébizonde soit annexée à l'Arménie, et nous n'admettons même aucune discussion sur ce point, car celle-ci n'a aucun droit sur ladite contrée ni au point de vue historique, ni politique, ni ethnologique. Par conséquent, Trébizonde et ses dépendances appartiennent directement aux Turcs et aux Grecs—peuples amis depuis les temps les plus reculés; ainsi ces deux peuples amis sont les seuls et vrais possesseurs de ladite contrée, ayant sur elle des droits incontestables et de leurs faits historiques, économiques et civiques.

2. Nous déclarons formellement n'avoir absolument aucun rapport avec les susdites publications des journaux de certains cercles irresponsables, et jusqu'à présent nous n'avons donné à personne l'autorisation d'être notre représentant et

de parler en notre nom devant aucun conseil politique.

3. Nous déclarons, au contraire, que nous désirons partager le sort de nos concitoyens musulmans, avec lesquels nous vivons en paix et harmonie parfaite. Pour cette cause, nous désirons et déclarons encore une fois au monde civilisé, par une voix nette et claire, que notre sort civique, économique et historique est lié d'une façon indéliable avec celui des Turcs et avec celle d'une Turquie libre et indépendante, digne de se battre et verser son sang pour protéger ses droits et son indépendance, ainsi que les nôtres. Et plus encore, nous désirons strictement vivre sous le drapeau honorable turc, pour cueillir les mêmes fruits de nos exploitations et de nos travaux semés par deux mains amies.

4. De plus, nous déclarons que, désirant assimiler notre sort à celui de nos compatriotes turcs, nous avons prié la Mission d'Angora, se trouvant sous la présidence de son Excellence M. Bekir Sami Bey, et nous lui avons donné pleins pouvoirs d'être notre représentant auprès de la conférence prochaine de Londres.

5. Nous vous prions de prendre en considération nos déclarations légitimes et de donner suite conforme aux principes de la justice, afin qu'une Turquie libre et unie jouisse d'un avenir heureux, glorieux et indépendant.

A cette occasion, nous prions votre Excellence de vouloir bien agréer nos sentiments les plus respectueux.

Le Vicaire de l'Archevêché grec,

(Signature illégible.)

Le Président de la Communauté grecque orthodoxe,

M. Cofier.

Trébizonde, le 15 février 1921.

[ii] Copy of Telegram sent to M. Bekir Sami Bey

ROME, le 10 mars 1921

Les Turcs de Gallipoli, Kéchan, Chackeuy et Énos se sont réfugiés dans les montagnes de Kurando. Les immigrés grecs du Caucase sont installés quotidiennement dans les villages turcs de Kirk-Kilissé, d'où les Turcs sont chassés. A Pavlikeuy, la situation est désespérée: les arrestations et les emprisonnements se succèdent continuellement. Au nom de la majorité écrasante turque, persécutée, au mépris des droits des peuples, par une minorité grecque, prie[z] derechef les Puissances alliées de vouloir bien prendre des mesures urgentes pour sauver leur prestige ainsi que les malheureux Turcs opprimés par leur mandataire.

CHALIB KEMALY, Ministre plénipotentiaire, Président de la Délégation de la Thrace

[iii] Copy of Telegram sent to M. Bekir Sami Bey

Excellence,

Nous avons l'honneur de vous transmettre ci-joint copie textuelle d'un document que la communauté grecque orthodoxe de Trébizonde vient d'adresser à leurs Excellences MM. les Ministres représentants de l'Entente auprès de la Conférence de Londres,⁸ et nous vous prions, Excellence, de vouloir bien se charger de la protection de notre cause auprès de qui de droit.

Veuillez, &c.

Le Vicaire de l'Archevêché grec,

(Signature illégible.)

Le Président de la Communauté grecque orthodoxe,

M. Cofier.

Trébizonde, le 15 février 1921.

8 Note in original: 'First document in Appendix 4.'

No. 60

I.C.P. 189] Notes of a Meeting held at St. James's Palace, London, S.W., on Saturday, March 12, 1921, at 12.30 p.m.

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister; The Rt. Hon. the Earl Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; The Rt. Hon. A. Chamberlain, M.P., Chancellor of the Exchequer; Sir M. Hankey, G.C.B.

France: M. Loucheur, M. Berthelot.

Italy: Count Sforza.

Japan: Baron Hayashi.

INTERPRETER: M. Camerlynck.

(This meeting was held during an adjournment for the purpose of discussing a statement by Bekir Sami Bey.)

MR. LLOYD GEORGE said that on that morning he had received a Mahommedan deputation from India, headed by persons of great influence. The spokesman had objected principally to the provisions of the Treaty of Sèvres in regard to financial control, which, he said, was derogatory to the position of the Khalifate. As regards the territorial position, he had laid the greatest stress upon Thrace. He had said that the Grand Vizier and Bekir Sami Bey had only very partially pleaded the cause of Islam, and had insisted very strongly on the objections to the financial controls. He had said he would be quite willing to accept the whole of the pre-war financial controls. The spokesman, who was an Indian barrister with a large practice, had pleaded his cause in perfect English, and with the greatest ability. Mr. Lloyd George had told him that if the Turkish case had originally been presented with the same ability the original Treaty of Sèvres might have been very different. Eventually he had asked him to see Bekir Sami Bey. The Turks always suspected Christians in their dealings with them, and they were perhaps more favourable to Italian Christians than others, and more favourable to French than to British Christians; but a Mahommedan would have a better chance of discussing matters on a level with them. He asked his colleagues to give their views as to what reply should be given to Bekir Sami Bey.

M. LOUCHEUR thought the Allies should reply that their proposals were an indivisible whole.

LORD CURZON recalled that the Allies had made two proposals. The first, which was for a commission of enquiry in Thrace and Smyrna, had fallen to the ground. They had then come forward with a second proposal, in which they endeavoured to make concessions to the Turks in regard to Smyrna, Thrace, the demilitarised zone, the strength of the Turkish forces, and the financial provisions. That was the price that the Allies were ready to pay for getting rid of a good deal of difficulty, and bringing about peace in the East. To this second proposal the Turks merely said: 'Thank you, but the proposal for the commission on Eastern Thrace must hold good.' He thought that the Allies should make their position clear, and that it would be impossible to allow the Turks to reject it without a word of protest.

M. Loucheur fully agreed, and thought the case should be stated as Lord Curzon had said.

COUNT SFORZA said that, in his view, the Allies ought to say to the Turks that they realised they only had limited powers, and had certain responsibilities, but that when they returned to Constantinople and Angora, where every Turk would understand the extent of the concessions which had been made, they would see that the Allies had gone to the extreme limits of concession.

M. Berthleot said that the public position of the Turks as regards the conference had been to say, 'You make proposals which upset our position, and we have not the powers to accept that. It is necessary for us to get into contact with our own Government.' He did not pretend to understand what trick the Turks were now playing. The Allies should tell them that they were now refusing their proposals, and remaining on a purely negative point of view. This the Allies could not accept. They should say: 'We do not ask

¹ Hamam Imaam. The deputation was headed by the Aga Khan.

for a reply now, as we know you have to consult your Government. When you have done this, send us back a single reply for the whole of Turkey, and not two replies from two delegations.'

COUNT SFORZA said that the Turkish protests must not be taken too seriously. In a Western State a Minister was liable to be upset by his Parliament if they were displeased with him, but the Turks were liable to lose their heads!

LORD CURZON said it was necessary for the conference to be fair to the Greeks. They did not pretend to like the proposals of the conference. If the Turks were allowed to refuse, the Greeks must be informed.

MR. LLOYD GEORGE said he thought he was quite clear as to the general sense of what the conference wished him to say.

(The conference then adjourned into the full Conference Chamber with the Turks.)2

2, Whitehall Gardens,

March 12, 1921.

² See No. 59, p. 405.

No. 61

I.C.P. 190] British Secretary's Notes of an Allied Conference held in St. James's Palace, S.W., on Saturday, March 12, 1921, at 12.45 p.m.

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister (in the Chair); The Rt. Hon. the Earl Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; The Rt. Hon. A. Chamberlain, M.P., Chancellor of the Exchequer; experts, Mr. Blackett, Treasury, Mr. Lindley, Sir W. Goode, Mr. Fass, Treasury, Mr. Vansittart; secretaries, Sir M. Hankey, G.C.B., Mr. St. Quintin Hill, Major Ottley, Mr. Sylvester.

France: M. Loucheur, M. Berthelot, Count de Saint-Aulaire; experts, M. Pontalis, M. Seydoux, M. Kammerer, M. Avenol, M. Petsche, M. Cheynon, M. de Felcourt; secretary, M. Massigli.

Italy: Count Sforza, Marquis della Torretta, Signor Meda; EXPERTS, Comm. d'Amelio, Comm. Giannini, Comm. Sigismondi; SECRETARY, Signor Galli.

Japan: Baron Hayashi, Mr. Nagai; secretaries, Mr. Saito, Mr. Yoshizawa, Viscount Inouye.

Interpreters: M. Camerlynck and Captain Hinchley Cook[e].

Austrian Delegation: His Excellency Dr. Mayr, Dr. Grünberger, Dr. Grimm, M. Egger, His Excellency Baron Franckenstein, Dr. Schüller, Dr. Duffek.

MR. LLOYD GEORGE: I understand that the State Chancellor¹ and the Ministers who represent Austria are anxious to present their case to the

¹ i.e. Dr. Mayr.

Supreme Council. We were very glad to afford that opportunity, and we now await to hear what his Excellency the State Chancellor has to say on the subject, if he wants to address us.

DR. MAYR: In the name of the Austrian Government, I thank the Supreme Council for their decision to bring the Austrian question before this conference, and for the invitation which we received. We are here on behalf of a people who, for the last two years, have fought for their existence against tremendous odds, and who are now watching proceedings of this high assembly with great expectations.

The members of the various relief organisations, who have done, and are still doing, admirable work in Austria, know, and will bear witness to, the cruel privations which large numbers of our people have to suffer. Against the luxury prevailing in that quarter of Vienna which is chiefly inhabited by foreigners and war profiteers, the dire misery of the bulk of the population stands out in grim relief. In spite of this, the Austrian people have willingly and patiently resumed work as far as insufficient feeding and lack of coal permitted. The fact that, nevertheless, the situation of Austria has become increasingly difficult, is often attributed to the disproportionate size and the insufficient productivity of the capital. There is no doubt that Vienna was badly hit when it ceased to be the chief city of a large Empire. Yet, even in its present position, Vienna has that which makes for vitality; it lies in the very centre of Europe, on the banks of the Danube, that historic highway of commerce; it is, moreover, the point of contact of many highly important railway lines.

It has maintained its importance as the centre of an old culture, of eminently renowned institutions for both education and science; as a home of art it enjoys world-wide fame. The banking and commercial organisations of Vienna still have at their disposal an abundancy of business knowledge, experience and connections, especially with regard to the Near East. A large portion of Viennese industries has always been adapted to the requirements of the world's market. Viennese objects of industrial art, fancy and leather goods, articles of furniture and jewellery, as well as the products of the large machinery and engine establishments of Vienna, and of its metal industry and other industrial branches were exported and directed to many and diverse markets. But, of course, no capital could prosper when the currency of the country is subject to such wild fluctuations, and the economic life partly paralysed.

Many Austrian branches of production are certainly hampered by the present system of embargoes and tariffs set up by the succession States, but it is increasingly recognised from experience that in this way each State ruins not only others but also itself; the leading statesmen of the neighbouring States agree with us on this point. There is hope that by patient work we shall succeed in gradually removing the mutual impediments; we, at any rate, are ready to do everything which will tend to the resumption of a normal and free traffic, which we ardently desire.

Why is it, then, that we are not in a position to help ourselves? Because

we cannot procure the coal and foodstuffs absolutely indispensable to us during the period of transition.

We are deeply grateful for what the Allied Powers have done to help Austria, especially our children. We thank the Governments of Great Britain, France and Italy, as well as the United States of America, particularly for the food credits which saved us in the most difficult times from starvation. But we feel it is our duty to state here that so far we have not been given a fair chance to carry through the task imposed on us by the Treaty of Saint-Germain of laying the foundation for an independent existence of our State, which has been torn out of all its natural connections and depends for the largest part of our requirements in foodstuffs and coal on importation. We shall have to devote many years to the adaptation of our economic life to the entirely altered circumstances, and we must be enabled to find the indispensable food and coal during this period of transition, without being forced to sell our working equipments. These essentials have been lacking ever since the breakdown of Austria-Hungary. It is true, we received certain quantities of foodstuffs, but for the most part we had to secure their importation by the sale of our assets, and to the almost entire ruin of our currency. The inter-Allied commissions tried to increase our coal supplies, but these supplies are so inadequate that we are not in a position to produce the chief export articles, and that out of ten blast furnaces only one is working.

Under the circumstances, we cannot square our accounts: we are only able to pay for a small part of our imports by means of our exports.

It might, of course, be said that we do not balance our budget, and that we resort to the use of the printing press. But it must be remembered that, after having already effected a large increase in taxation, we raised the direct taxes since July 1920 from about 550 millions to over 4 milliards, i.e., almost eightfold, and the indirect taxes and monopolies from about 11 milliards to 61 milliards. The customs duties charged are seventy times as much as they used to be. We have increased the receipts of the State railways from about 1\frac{3}{2} to 5\frac{1}{2} milliards; and all the State revenues together from 6\frac{1}{2} to roughly 30 milliards, i.e., to almost five times the former revenue. Nevertheless, the last budget shows a deficit of 42 milliards. We have, moreover, introduced a heavy capital levy from which a preliminary amount of 6 milliards of kronen has just been realised. The deficit arises chiefly from the subsidies which the State is forced to make in order to reduce the price of the food imported so as to bring even the most moderate rations within reach of the general public. This deficit would disappear if the necessary foodstuffs could be secured on credit, and it would then be possible to balance our budget. As we would then no longer be obliged to export kronen in order to buy food, the inflation of the currency and the depreciation of the krone could be arrested. These two ends accomplished, we should then be in a position to pay for our food. Every Finance Minister will agree that it is not possible to levy taxes in proportion to the depreciating currency, when that currency sinks in one year to one-fourth of its value, and that with an entirely

depreciated and greatly fluctuating currency no proper administration of finance is possible.

To put our finance on a sound basis and to stabilise our currency is the central problem of our economic existence. We will do all within our power to accomplish this end. It can, however, not be done without foreign credits. Without them we shall succumb to the prices [?crisis] in the last stages of which we now are. The Supreme Council has repeatedly had the kindness to promise us the carrying through of a comprehensive plan for the economic reconstruction of Austria. The scheme finally worked out by the Reparation Commission after long and minute examination of the case was not adopted by the Paris Conference; a committee was set up instead, which was to examine the possibility of relief by private credits.² The committee has, meanwhile, under the presidency of the French Minister, M. Loucheur, devoted itself to the fulfilment of its part. We believe, however, that it has already become clear that this scheme can only accomplish its end, i.e., the economic reconstruction of Austria, when it becomes part of a more comprehensive Government action, a fact which, in view of the exceptional conditions of Austria, was also recognised by the International Finance Conference at Brussels.3

The following reasons will explain the case:—

Any scheme on the part of private banks would require considerable time for its organisation, for the investigation of the securities, as well as the agreement in regard to the conditions of the loan. The private action would not only not come in time, but would perhaps not be on a large enough scale. The actual facts, however, are that while sufficiently large credits make it possible for us to put our finance, our economic life and thus our currency on a sound basis, which also incidentally affords security to the creditors, insufficient credits would not accomplish these ends. Insufficient credits can only be remedied by increasing the sum total of the advances by the allotment of coal on credit to Austria, and other indirect aid. This would be all the more necessary as the granting of credits without a simultaneous supply of coal would not be rational.

Finally, it is to be feared that the banks would not be giving credit to Austria on the basis of normal, but rather of very unfavourable conditions, owing to the difficult position of the country. If, however, the capital as well as the payment of interest were secured on a business-like basis, a guarantee on the part of the Governments would not involve a financial burden; for us, however, it would result in the attainment of larger credits under normal conditions, such as Austria could afford to bear.

Without the intervention of the Allied Governments, Austria cannot be given that help which alone will suffice. We beg the conference to carry

² For this decision, see No. 3, p. 28.

³ The Report of this International Financial Conference (see No. 43, n. 8) was presented to the League of Nations Council on Oct. 27. It is printed in L/N.O.J., No. 7, Oct. 1920, pp. 414 ff.; see also ibid., No. 8, Nov.-Dec. 1920, pp. 22-24.

through this action and to save us from the grave perils against which, by ourselves, we fight in vain.

Our whole hope centres in the adoption of this course by the Supreme Council. The Great Powers have decided that our people are to form an independent political unit within the boundaries allotted to them. Only with the adequate help of the Powers can the Austrian people attempt to increase their production and exchange of goods to such an extent that Austria can exist as a self-supporting State.

If the Powers should not grant this help, then our people are faced with the alternative of political disintegration or complete collapse under the present impossible conditions which condemn Austria as a whole to economic decay.

Therefore, I deem it my duty in this fateful hour to address an earnest appeal to the Supreme Council to send through me to the Austrian people not only promises, but a pledge of comprehensive help.

MR. LLOYD GEORGE: I think it had better be translated into French.⁴ Dr. Mayr has been kind enough to supply the English delegation with a translation, and we have had an opportunity of perusing it carefully. After it has been translated into French we will consider it amongst ourselves.

Mr. Lloyd George: The Supreme Council are very anxious to render such assistance as is within the power of their respective countries to Austria in her great difficulties. We fully realise how great those difficulties are and that it is very difficult for Austria to extricate herself from her position without some outside assistance in the next few years. But it is a question of ways and means. All our countries are very overburdened with the gigantic charges of the war and with the economic troubles that have resulted directly from its devastation—I do not mean merely the direct devastation which has been wrought in the provinces of France, Italy and Belgium, but I mean the economic devastation which has swept over the whole world as the result of the most terrible war in the history of mankind. If there has been any hesitation on the part of our countries it is not due to any lack of goodwill or to the absence of a real anxiety to help Austria in her very distressing condition, but it is attributable entirely to the circumstances which I have already pointed out. All the burdens which we add to our financial commitments are naturally scrutinised with very great care by overburdened taxpayers. We are all of us experiencing as Governments considerable difficulty in securing the necessary parliamentary sanction for essential expenditure, because the taxation is something which would have been regarded before the war as a bad dream. Nobody would have conceived it as possible outside a lunatic asylum. But there it is—it is a fact in every country. In the statement I am making on behalf of the Supreme Council I am not intimating that it is impossible to do anything; I am only showing the difficulties we also have encountered on our part. The first step, therefore, with a view to seeing what can be done, is to have the document which has been submitted to us by the State Chancellor examined by the financial experts. Therefore, we

⁴ Dr. Mayr had presumably addressed the Conference in German.

invite the State Chancellor and his financial experts to meet the Chancellor of the Exchequer at his office this afternoon. M. Loucheur will be able to be there, the Finance Minister of Italy, and M. Kengo Mori, at the Treasury this afternoon at 3 o'clock. Then these propositions can be examined from a practical point of view, with a view to ascertaining whether it is possible within our own restricted means to render the assistance which we are all sincerely desirous to extend to Austria in her genuine distress and trouble.

St. James's Palace, S.W., March 12, 1921.

No. 62

I.C.P. 190A] British Secretary's Draft¹ Notes of a Meeting of Financial Experts, held in the Board Room, Treasury, on Saturday, March 12, 1921, at 3 p.m.

PRESENT: British Empire: The Rt. Hon. A. Chamberlain, M.P., Chancellor of the Exchequer (in the Chair); Mr. Blackett, Treasury; Mr. Lindley, Sir W. Goode; SECRETARY, Mr. St. Quintin Hill.

France: M. Loucheur, Count de Saint-Aulaire, M. Avenol, M. Seydoux, M. Petsche; secretaries, M. Cheynon, M. de Felcourt.

Italy: Signor Meda, Marquis della Torretta, Comm. d'Amelio; secre-TARY, Comm. Giannini.

Japan: Mr. Nagai.

INTERPRETERS: Mr. Hinchley Cooke and M. Camerlynck.

Austrian Delegation: His Excellency Dr. Mayr, His Excellency Baron Franckenstein, Dr. Grimm, Dr. Grünberger, Dr. Schüller, Dr. Simon.

MR. CHAMBERLAIN said that in the morning the conference had decided, as a preliminary to further consideration by the Allies, that it would be necessary to obtain fuller information from the Austrian delegation. He proposed to ask M. Loucheur to put two or three question[s], the answers to which would help the Allied Governments to a more exact understanding of the situation and would supply them with the information they required.

M. LOUCHEUR then asked what were the minimum credits necessary for the support of Austria month by month from now till September or October 1921 and 1922. He did not require an exact statement of the credits needed, but a rough estimate and if the figures for each month were not possible, he would like to know the total sum necessary until, say, next September.

DR. GRIMM² replied that the total sum would be approximately £15,000,000 or about 55,000,000 dollars per annum.

¹ Although marked 'Draft' these Notes are identical with the typescript text marked 'Final'; see Appendix below for correspondence relating to them.

² Austrian Minister of Finance.

- M. LOUCHEUR then asked for what articles, such as foodstuffs and raw materials, this loan would be required.
- Dr. Grünberger³ replied that the sum required would be for grain—5 million dollars per month for ten months.
- M. LOUCHEUR again enquired what the total sum required by Austria would be.
 - Dr. Grimm replied, 55,000,000 dollars per annum, not including coal.
- M. LOUCHEUR asked what the additional sum for foodstuffs would amount to.
 - Dr. Grimm replied, 5,000,000 dollars a month for ten months.
- M. LOUCHEUR then asked what exactly the necessary credits for coal would amount to.
- DR. GRIMM replied that he was ignorant of the price which would have to be given for coal by the Austrians, but the Austrian requirements amounted to from 200,000 to 300,000 tons of coal a month.
- Mr. Chamberlain asked if these figures represented the total of the Austrian needs for coal.
 - DR. GRIMM said that this was additional to the 200,000 tons from Germany.
- M. LOUCHEUR, summarising, said that it appeared that the Austrian requirements were as follows: firstly, a credit of 55,000,000 dollars to buy cereals and other foodstuffs, and secondly, a credit to purchase from 200,000 to 300,000 tons of coal a month.
 - Dr. GRIMM assented.
- M. LOUCHEUR then said that he would ask some further questions about the total consumption and production of cereals in Austria. What was the total consumption of cereals and production in that country in quintals?
- DR. GRÜNBERGER replied that Austrian consumption amounted to 50,000 tons of corn a month. He was taking the annual consumption as only ten months, since Austria could support herself for two months out of the 100,000 tons resulting from her own harvest. The total Austrian requirements for a year amounted, therefore, to 500,000 tons.
- M. LOUCHEUR then said that the total Austrian consumption including her own harvest (but excluding consumption by the producer) would be 600,000 tons?
 - Dr. Grünberger assented.
- M. LOUCHEUR then went on to deal with the question of coal. He remarked that the Austrians had furnished varying figures on the question of coal production and consumption, and, in his opinion these figures were very exaggerated.
 - Dr. Schüller4 asked if the figures alluded to were pre-war figures.
 - M. LOUCHEUR asked what coal the Austrians now had.
- DR. SCHÜLLER replied that they had for a month 200,000 tons home production, but this was brown coal. Then they got from Czechoslovakia 150,000 tons of coal a month which was not always fully delivered. From
 - 3 Austrian Minister of Food.
 - 4 An official of the Austrian Foreign Office.

Germany, 200,000 tons a month. From Poland, 40,000 tons a month. The minimum increase was 200,000 to 300,000 tons a month. With this quantity they would not have enough for household consumption, but this quantity would be sufficient for transport and industries at least so far as to supply the industries with at least 50 per cent. of their requirements. Actually, Austria was not able to keep going more than one blast furnace in ten.

M. LOUCHEUR pointed out the position was the same in England and France, and other Allied countries.

DR. SCHÜLLER replied that it was not the same, because Austria was obliged to buy iron from Germany.

M. LOUCHEUR then asked how long the deficit period would continue in Austria, and when exports might be expected to balance imports.

DR. GRIMM replied that he thought this would happen in about two or three years. He hoped that it would be possible, if Austria were financed properly, to reduce their credits in the second year.

M. Loucheur asked if the Austrians could give an idea of their trade balance.

DR. Schüller replied that the Austrians estimated that over a period of a year their adverse trade balance would amount to 50,000,000 or 60,000,000 dollars.

M. LOUCHEUR enquired what were the industries which could pay for this adverse trade balance.

DR. SCHÜLLER replied, first of all the paper industry, the capacity of which was 20,000 trucks per year. The paper production amounted to 10,000 trucks a year, but the paper industry alone, with the necessary coal, could be increased to 20,000 trucks and the exportation of 10,000 wagons more would produce about 100 million Swiss francs. Besides the paper industry, the iron industry and other industries could increase exports.

M. LOUCHEUR pointed out that the total financial requirements of Austria were not really only 55,000,000 dollars. To this must be added the sum needed to cover the purchases of coal. Really, Austria required credits amounting to 75,000,000 dollars to be covered by exports.

DR. SCHÜLLER then said that the Austrian delegates had referred to the necessity of re-establishing the value of the crown. This was obviously impossible unless Austrian production were increased. It might be possible to bolster up the crown for two or three years by means of loans, but this could not be a final solution of the question.

MR. CHAMBERLAIN asked the Austrian delegation to state as far as possible the figures of their trade balance by next Monday.

M. LOUCHEUR then gave a résumé of the Austrian requirements, which were as follows:—

A loan of 75,000,000 dollars, or its equivalent, coal amounting to between 200,000 and 300,000 tons a month, and 50,000 tons of corn a month until the harvest (when nothing would be required for two months) and then 50,000 tons of corn until the end of the year.

M. LOUCHEUR asked whether it was not possible to get more corn for home consumption out of the Austrian harvest.

DR. GRÜNBERGER replied that he thought it impossible to get more out of the harvest than was required to meet Austrian needs for two months.

MR. CHAMBERLAIN said he understood that the Austrian producers were consuming much more proportionately than the rest of the population. Was this not due to the fact that the price offered by the Austrian Government was too low?

DR. GRÜNBERGER said that he did not think even if the price were raised the Austrian Government would be able to obtain more than from two and a half to three months' supply. Their political difficulties prevented them from doing very much in this direction, because the consumers objected to paying high prices. They were, however, on the way towards such a reform, and hoped to get more than the usual quota this year.

MR. CHAMBERLAIN said he had put this question because the information he had had at his disposal made him think that the available supplies in Austria were more than the Austrians had said, but the Austrian Government could not get hold of these supplies. The producers sold a portion to the Austrian Government, and the remainder surreptitiously to rich consumers.

DR. GRÜNBERGER agreed and said that the Austrian Government was taking this question in hand and were going to offer higher prices in order to get more grain, since they realised that, no matter how high the price offered, it was better to give such prices than import the grain and buy it by means of exporting crowns.

MR. CHAMBERLAIN asked up to what period the Austrians possessed food-stuffs or credits to purchase.

DR. GRÜNBERGER replied that the Austrians had arranged for their food supplies, so far as grain was concerned, up to the middle of next May.

M. LOUCHEUR asked that the Austrian delegates should furnish a precise note of all the figures which had been put before the meeting to-day. He also suggested that the Austrians should make every effort to increase their home productions of grain, so that their own harvest should last for a period of from three to three and a half months. This would diminish the amount of credits which they required from other countries. The particulars which the Austrian delegation would supply to the Allies should cover the figures for corn and coal, and should include the sum in gold dollars required for other materials.

MR. CHAMBERLAIN stated that the Austrian delegation must realise how important it was to use every effort to reduce their total demands, because the Allied Governments were considering the question of how to raise credits, and if they were to appeal to financial institutions and the total of the Austrian needs was too large, those institutions would be alarmed.

Dr. Grimm promised that figures would be produced by Monday.

M. LOUCHEUR asked what guarantee and what mortgages the Austrians could give to cover a loan. He said that the Austrian delegation had shown in their statement made in the morning that Austrian taxes had been raised

very greatly, but there were a number of reforms which would require to be made in the Austrian budget, particularly in the figures of expenditure. He asked Dr. Grimm if the Austrian Government had taken note of a report on Austrian finance which had recently been compiled by the Financial Committee of the Paris Conference.⁵

DR. GRIMM replied that the Austrian Government fully realised that stringent measures would have to be applied to adjust both the expenses and revenues of Austria. Such steps had already been taken, and during the last year the revenue of Austria had been multiplied five times by means of direct and indirect taxation. In fact, Austrian revenue had been increased from 6 milliards to 30 milliards of crowns. They had also taken the necessary step to increase their revenue by higher railway charges, but, unfortunately, most of the revenue gained thereby had evaporated in increased salaries arising out of the demands of railway officials and employees.

MR. CHAMBERLAIN remarked that the Austrian railway system had far too many employees.

DR. GRIMM replied that they could not discharge a greater number of railway officials without risking a general strike, unless their finance were put on a sound basis. The Austrian Government would then be able to carry out these reductions of staff in a systematic and satisfactory way, which they proposed to do by pensioning off their officials or training them for other employment.

M. LOUCHEUR then remarked that the retention of these officials could not go on indefinitely. How long did the Austrian Government propose that it should continue?

DR. GRIMM again referred to the difficulties which the Austrian Government experienced in dismissing their officials, and pointed out that the salaries were very small.

MR. CHAMBERLAIN said that he did not object to the size of the salaries, but to the number of them.

M. LOUCHEUR said that both in London, Rome and Paris the Austrians had been warned that without the imposition of control over their finances it would be impossible for the Allies to lend money.

DR. GRIMM replied that the Austrians had made certain plans to ensure the payment of interest on any loans granted by the Allies; and they had also made certain plans for the Allies to control sources of income in question, such as customs. The Austrian Government considered that the revenue derived from the customs would be sufficient to pay the interest on these loans.

M. LOUCHEUR remarked that the question of guarantees was very important. All financiers and all the Governments, both at Rome, Paris and London, had asked what securities the Austrians could give and also what kind of control would be set up for permanent improvement of the Austrian finances.

⁵ See No. 12, Appendix 5.

⁶ Cf. No. 3.

DR. GRIMM replied that the Austrian Government objected to a general control by private banking interests. It would be politically impossible.

MR. CHAMBERLAIN asked whether he understood the Finance Minister to say that he preferred an Allied control of Government revenues to a control by private banking institutions. He was afraid that if the Allied Governments undertook financial control this would eventually amount to a political interference.

DR. GRIMM said he would prefer control by the Allied Governments to control by private banking institutions.

Dr. Mayr agreed with Dr. Grimm.

M. LOUCHEUR remarked that control by the Allied Governments would have the greatest political importance. Direct intervention by the Allies in the Austrian State would be very difficult, but it would be possible for the Allies to encourage certain individuals and groups to make financial arrangements.

SIGNOR MEDA said that he understood that the Austrians did not want control by banking interests.

MR. CHAMBERLAIN said that control of the finances of Austria would draw the Powers into the internal politics of Austria. Nothing remained in the circumstances but control by the League of Nations.

DR. GRIMM asked whether, by submitting to control by the League of Nations, the Austrians would obtain any guarantees from the Allies.

MR. CHAMBERLAIN said that, so far as the British Government were concerned, in view of the domestic situation it would be impossible for them to see their way to vote fresh credits or give fresh guarantees to Austria.

DR. GRIMM said that if private credits were given to the Austrians, they would be given under conditions so onerous that the Austrian budget would be completely ruined. There was very great parliamentary opposition to the acceptance of such credits.

MR. CHAMBERLAIN said there was also great parliamentary opposition to credits in this country. He had to face refusing credits for relief in the United Kingdom, and he was asked why, if he refused such credits, money was used for relief work in Austria.

M. LOUCHEUR said the same was true of France.

DR. GRIMM asked whether the Allied Governments would propose which sources of revenue should be hypothecated for the purpose.

MR. CHAMBERLAIN pointed out that it was for the Austrian delegation to make these proposals.

DR. GRIMM said that the Austrian Government would be able to hand over to the control of the Allied Governments the customs and, if necessary, monopolies, such as, for instance, tobacco, and they were considering also the development of other Government monopolies which could be used for this purpose.

M. LOUCHEUR asked whether the Austrian delegation could not indicate in a special part of their memorandum the guarantees which they could offer and the figures for the approximate receipts from the monopolies. The Allied Governments would like to see this memorandum by Monday next, and it should show three things. Firstly, the total amount of credits required by Austria reduced to the greatest extent possible so as not to show too alarming figures. These credits should cover the articles required by Austria, such as coal. Secondly, an exposition of the commercial possibilities of Austria. Thirdly, guarantees for the interest and repayments of the loans. The Austrian delegation would be invited to come to a meeting on Monday with full details.

MR. CHAMBERLAIN said that he regretted that on Monday neither he nor M. Loucheur would be able to attend the meeting, but their representatives would do so, and those present at the meeting would go into the question and examine the papers. Further meetings could be arranged as necessary. The meeting on Monday afternoon would take place at 3 p.m. in the Treasury Board Room.

(The proceedings then terminated.)

2, Whitehall Gardens, S.W., March 12, 1921.

APPENDIX TO No. 62

The appended correspondence is circulated for information in connection with the draft notes of the meeting of financial experts held at the Treasury, London, on Saturday, the 12th March, 1921, at 3 p.m. (I.C.P. 190A).

M. P. A. HANKEY, Secretary-General to the Conference of London.

1. Extract from Letter from Commendatore d'Amelio to Sir M. Hankey, dated March 19, 1921

'I note that the minutes contain no reference to the latter and important part of the meeting after the Austrian representatives had retired. From my notes I find that the decisions included the following:—

- '1. On the suggestion of M. Loucheur, amended by Signor Meda, it was decided that the Allied Powers should neither postpone nor renounce the right to reparation nor cancel the credits to Austria, but the guarantees were limited in order that certain Austrian resources, such as customs and monopolies, might be constituted guarantees with priority over reparation for the lenders of new sums. M. Loucheur requested Signor Meda to send Mr. Chamberlain a declaration to this effect. Signor Meda sent this declaration the same evening.
- '2. On the suggestion of M. Loucheur it was decided that instructions should be given to the representatives of each Allied Power on the Reparation Commission to arrange for the suppression of the Austrian section of the Reparation Commission in order to save the Austrian Government the expense of its upkeep.'

'I would ask you to be so good as to add these decisions to the notes of the meeting, as they have a very real importance and will lead to further measures.'

2. Extract from Letter from Sir M. Hankey to Commendatore d'Amelio, dated March 22, 1921

'As regards the record which you suggest should be made of the decisions reached after the Austrian delegation retired, I understand that the discussion which took place was quite informal on both points, and for this reason no record was kept. As regards the first point, I am informed that Signor Meda was asked to put his reservation in writing and that he did so in a letter to the Chancellor of the Exchequer. The Italian point of view is clearly on record, first in that letter and secondly in the acceptance by the Italian delegation, without reserves, of the answer to Austria, given on the 17th March.⁷

'As regards the second point, I understand that the decision to suppress the Austrian section of the Reparation Commission was also taken quite informally, although it has already been acted on.'8

- ⁷ See No. 68 below.
- ⁸ In fact the Austrian Section was transferred to Paris on April 30, 1921; see Reparation Commission Report (1920-22), p. 168.

3. Letter from Commendatore d'Amelio to Sir M. Hankey, dated March 26, 1921

'Dear Sir Maurice,

'I have received your letter of the 22nd instant, for which I thank you.

'I feel I ought to inform you that, in my opinion, the second part of the meeting on the 12th instant, which took place after the Austrian delegation had retired, had the same character as the first part, that is to say, that it also was a formal meeting, and was perhaps even more important that the first part, in view of the decisions adopted on the suggestion of M. Loucheur. Among these decisions were the two mentioned in my former letter, which I consider should figure in the minutes of the meeting drawn up by you and forwarded to me.

'With regard to the first decision, I would add that Signor Meda did not make any reserve, since at the meeting it was agreed that it was sufficient to limit the guarantees for reparations and that certain revenues, such as customs and monopolies, would constitute a guarantee for all new financial operations in Austria's favour, without postponing the execution of the obligations of Part VIII of the Treaty of Saint-Germain. Signor Meda was invited to make a written declaration of his consent. Signor Meda sent this declaration to Mr. Chamberlain on the same day, and it contained no reserve, but an acceptance of the proposed reduction of guarantees as agreed at the meeting held earlier in the day.

I should be glad if you would be so good as to complete the record of the meeting by adding the decisions of the second part of the conference held on the 12th instant.

'Yours sincerely,
'M. D'AMELIO'

4. Letter from Sir M. Hankey to Commendatore d'Amelio, dated April 7, 1921

'Dear Commendatore d'Amelio,

'With reference to your letter to me of the 26th March, 1921, regarding additions which you wish to be made to the draft notes of the meeting of financial experts held on the 12th March, 1921 (I.C.P. 190A), I think that the best way out of the



difficulty will be to circulate to the Allied experts the correspondence which has passed between us. I will also see that that correspondence is recorded as an appendix to the final version of the minutes of the meeting of the 12th March.

'Yours sincerely.

'M. P. A. HANKEY'

2, Whitehall Gardens, London, April 7, 1921.

No. 63

I.C.P. 190B] British Secretary's Notes of a Meeting of Financial Experts held in the Board Room, Treasury, on Monday, March 14, 1921, at 3 p.m.

PRESENT: British Empire: Mr. Blackett, Treasury (in the Chair); Mr. Lindley, Sir W. Goode; SECRETARIES, Mr. Howorth, Major Ottley.

France: Count de Saint-Aulaire, M. Pontalis, M. Avenol; SECRETARY, M. de Felcourt.

Italy: Marquis della Torretta, Comm. Giannini.

Japan: Mr. Kengo Mori.

INTERPRETER: Mr. Hinchley Cooke.

Austrian Delegation: His Excellency Dr. Mayr, His Excellency Baron Franckenstein, Dr. Grimm, Dr. Grünberger, Dr. Schüller, Dr. Simon.

MR. BLACKETT¹ expressed the regret of the Chancellor of the Exchequer that he was unable to be present at the meeting. The Chancellor had asked him (Mr. Blackett) to act on his behalf. He would ask his Excellency Dr. Mayr to make a statement in accordance with the request of the Inter-Allied Conference on Saturday last.²

DR. MAYR said that the Austrian delegation had prepared statements dealing with the matters in question, which he would now submit to the meeting.

(These statements are attached hereto (see Appendices 1, 2, 3, 4 and 5).)

Mortgages on Austrian Assets, &c. (Appendices 1 and 2)

MR. BLACKETT read to the meeting Appendices 1 and 2.

With regard to (c) in Appendix 2, Dr. Grimm explained that at the present moment many foreign holders of Austrian Government securities had received no interest since the outbreak of hostilities. That interest had to be met in gold, and as this would be a very heavy additional burden it was proposed that the interest should be capitalised and treated as a separate liability. He also referred to the difficult position regarding the Austro-Hungarian Bank, which, to all intents and purposes, was in liquidation and unable to transact current business, the effect being very detrimental from the point of view of the Austrian Treasury.

¹ Controller of Finance at H.M. Treasury.

² See No. 62.

Some discussion took place as to the securities for a foreign loan, specified in the second part of Appendix 1, it being pointed out that no reference was made to the forests.

Dr. Grimm explained that this omission was due to the difficulty of accurately estimating the annual revenue to be derived from the forests, and also because the Austrian Government wished, if possible, to avoid the exploitation of such resources by foreign Powers. In the view of his Government the customs provided the simplest and safest kind of security. In reply to enquiries as to the total gold or sterling value of the securities in question, Dr. Grimm said that the tobacco monopoly would give $f_{0.500,000}$ per annum, and that customs, tobacco and salt would give something over £2,000,000 per annum, which, in the case of tobacco and salt, would be a net figure, whereas some deduction would have to be made from the gross figure for the customs. Apart from works of art, the only other substantial asset was the securities which had been placed at the disposal of the Austrian Government. These securities were, however, of very little use, because the Austrian Government would in any case have to pay the actual owners the full value on realisation. The value of these securities, excluding those which are held in the territory of the Allies, amounts to about 30,000,000 Swiss francs, which, at the beginning of this year, were mortgaged with a number of Dutch banks in order to finance the food imports during the first months of this year; probably a small remainder will be left over.

Austrian Coal Supply (Appendix 3)

MR. BLACKETT read to the meeting the memorandum on Austria's coal supply (Appendix 3).

Some discussion took place as to the amount of the future production of coal in Austria, and the meeting was informed that Austria only produced brown coal, which was about half the value of black coal, and would never be able to obtain internally more than 10 or 12 per cent. of her requirements. Further explaining coal figures, it was stated that all Upper Silesian coal was black, and about 50 per cent. of the Czechoslovak black, and the same proportion brown. As the proportions vary, however, no attempt had been made to separate figures.

The meeting was reminded by the Austrian delegation of the vital importance of coal to Austria and the difficulty in present circumstances of obtaining adequate supplies.

In response to a request that the meeting should itself give a decision, Mr. Blackett informed the Austrian delegation that this meeting was being held to elucidate the facts, and it would in due course have to report to the Inter-Allied Conference. On the question of obtaining coal, he pointed out that if the Allies could arrange some system of credits for Austria, part of the credit might be given in coal.

DR. Schüller thought that the coal needed (200,000 tons a month) would have to come from Upper Silesia, and would have to be treated as an additional credit.

Austria's Foreign Trade (Appendix 4)

MR. BLACKETT read the memorandum on Austria's foreign trade (Appendix 4).

DR. SCHÜLLER explained that the additional supply of coal would enable Austria so to increase her production as not only to meet her own requirements, but also to create an exportable surplus (notably in paper, steel and iron products) which would pay for her imports. Further questions elicited the information that the exportable surplus would be so increased as to pay not only for imports on the present scale, but also for the additional coal which it would be necessary to import.

Austria's Food Requirements (Appendix 5)

DR. GRÜNBERGER stated, with reference to the memorandum on Austria's food requirements (Appendix 5) that he had complied with the suggestion of the Inter-Allied Conference that he should give these requirements month by month. The table on page 2 of Appendix 5 showed, accordingly, what Austria would need for each month until the end of the present calendar year after taking into account her own harvest returns.

MR. BLACKETT pointed out that, according to the figures, there would in any event be a very large uncovered deficit, and he enquired how it was proposed that this deficit should be met.

DR. GRÜNBERGER said that the only available resource was the further sale of Austrian kroner. Imported grain had during the last six months been paid for in this way. The securities at the disposal of the Austrian Government would require time before they could be sold, and in any case, as he had already pointed out, their sale did not help very much, as the actual owners would have to be paid in kroner.

MR. BLACKETT agreed, but pointed out that in this event the kroner would remain in Austria.

SIGNOR GIANNINI enquired whether foodstuffs could not be imported from neighbouring countries instead of from America.

DR. GRÜNBERGER said that it would be possible to get grain, rye and maize from Jugoslavia, Roumania and Bulgaria in considerable quantities when the transport facilities with those countries had been materially improved. Up to the present it had not been possible to obtain grain from Roumania owing to the bad internal transport, and such grain as had been obtained had been transported in vehicles provided by the Austrian Government.

MR. BLACKETT enquired whether Austria had any means of paying for foodstuffs in Jugoslavia or Roumania which were not available in other countries.

DR. GRÜNBERGER answered in the negative. The difference in price was very small if the quality of the grain, &c., was taken into consideration. Substantially the only cheaper item was the cost of freight.

Signor Giannini enquired whether it was not easier to get kroner from Jugoslavia than other foreign currencies.

DR. GRÜNBERGER replied that Austria had lived through the winter by importing grain from Jugoslavia, with the result that the Jugoslavian crown had risen against her, notwithstanding the fact that the world price of wheat had remained steady.

MR. BLACKETT remarked that the rise in the buying value of Jugoslavian crowns would result in a corresponding drop in the price of grain in Jugoslavian crowns. This should tend to neutralise the rise in the price of Jugoslavian crowns measured in Austrian crowns.

DR. GRÜNBERGER said that as regards Bulgaria, Austria had been unable to obtain grain because of the Bulgarian export tax, which had raised the price far above the world price. There was plenty of grain of all kinds in Bulgaria, but at the moment Roumania had no wheat available for export. He agreed that the burden on the Austrian budget was just as heavy if purchases were made in Roumania as if they were made in America. In the former country the transport difficulties were at present very great; they were getting better in Jugoslavia, and as regards Bulgaria, for the reason he had stated, practically no importation of foodstuffs was possible. With regard to the possibility of producing more foodstuffs in Austria itself by increasing the price paid to the producers, he (Dr. Grünberger) thought that in any case the relief would only be a very slight one, while the consequential increased price to the consumer would press very heavily on the poorest sections of the community. In any event Austria would be obliged to import a very large part of her foodstuffs from abroad, and this factor constituted the heaviest deficit item in the budget.

Continuing, Dr. Grünberger added that he wished to emphasise the very serious shortage of milk in Austria. It was quite impossible to find fresh milk for infants, invalids and young children. It had accordingly been necessary to import condensed milk, the price of which (1 Swiss franc per tin) had hardly altered. Owing, however, to the fall in the kroner, the cost in Austria was 130 kroner per tin, which no poor person could possibly pay. The Government was therefore obliged to sell the milk at 30 kroner a tin, the deficit (100 kroner per tin) amounting in the aggregate to many millions of kroner per annum. It was not possible to transport milk from the Tyrol to Vienna, owing to the absence of cold storage facilities on the trains. Even in peace-time these facilities were non-existent, and Austria had been quite unable to provide them since the armistice. It was true that the Tyrol had sent certain quantities of milk and a number of animals into Bavaria, but this was because Bavaria had been in a position to give sugar and potatoes in exchange.

DR. GRIMM said that he would like to refer to the question of postponing the mortgage. In order to be effective from the Austrian point of view it would not only be necessary to arrange for a release of the securities, but for a general postponement of the rights of Austria's present secured creditors. Unless this could be arranged, the Austrian Government could not possibly issue an internal loan, which was very desirable, as it would obviate the necessity for fresh issues of paper. He could give no idea as to when Austria would be in a position to issue such a loan. The time must depend on the restoration

of the internal credit of the country. It was out of the question to float such a loan unless the Austrian Government was free to pledge certain of its securities. Originally the Government had hoped to be able to make arrangements with the Great Powers which would have facilitated such a loan. They now felt that other measures would have to be resorted to.

MR. BLACKETT enquired what kind of securities the Austrian Government had in mind.

DR. GRIMM thought that the revenues of the forests and the salt mines would form a very excellent security for an internal loan. A first charge on these revenues for the interest and amortisation could be given if the Allies would consent to a release.

MR. BLACKETT enquired whether it might not be possible to sell the forests. DR. GRIMM thought that this was quite out of the question for political reasons. There were, in fact, very few State forests. Most of the forests belonged either to the provincial governments or to private individuals. It was quite out of the question for the present Austrian Government to contemplate their out and out sale.

DR. MAYR said that he desired to place before the meeting a few points of a political nature. The Austrian delegates had been asked many questions, and he ventured to ask four questions in return, the answers to which were of vital importance to Austria. These questions were as follows:—

- 1. When can the League of Nations scheme be carried out, and when will Austria therefore be able to obtain her first credits under that scheme?
- 2. Is the conference convinced that it will be possible to obtain from private capitalists the credits essential to Austria?
- 3. When will the release of the liens, which is the very foundation of the new plan, actually be effected?
- 4. If the liens cannot be released on an early date, will Great Britain, France and Italy be prepared to renounce their rights in this respect?

MR. BLACKETT pointed out that Japan would also be interested in the last question, and, with the consent of Mr. Kengo Mori, Japan was added to the other three Powers.

Dr. Mayr said that he desired to thank the meeting for the consideration accorded to the representations made by the Austrian delegation. At the same time, he felt bound to express some regret that up to the present the Austrian delegates had not received any definite promise from the Allies as to the nature of the relief which would be given them. He felt it his duty briefly to refer again to the position of the Austrian delegation. The invitation to London had awakened in the despondent Austrian population new hope. If he and the other Ministers were obliged to return with only quite indefinite or insufficient guarantees, their position in respect of the Austrian Parliament and population would be untenable. The first result would be a definite break-up of the whole of the State administrative apparatus. In view of the terrible depreciation of money, which was still going on, and the corresponding rise in prices, it was quite impossible for the officials to live

on their present salaries. Just before the Austrian Ministers left for London the officials had demanded an immediate doubling of their salaries, and had threatened to strike if this were not granted within five days. There could be no more drastic illustration of their difficult position than this threat of the whole of the Austrian officials, who had hitherto been known for their discipline and devotion to duty. It was not Bolshevik elements which constituted the danger to Austria, but the suspense and the unbearable conditions of life of the classes of the population who had hitherto been the most reliable and loval. The Government had succeeded in persuading the officials to carry on with their work and to postpone their demands until the return of the Ministers from London. The Austrian Government hoped to be able to return from London with such practical and adequate promises that the population would again find its courage and be patient. The publication of the results which had hitherto been obtained from the London discussions would not have this effect. He (Dr. Mayr) could not resist, in these conditions, asking the following question: How do the Powers regard the Austrian question? For two years the Austrian population had carried on a doubtful fight for existence within the boundaries laid down for them by the Powers under quite impossible conditions. The pauperising of the population, the drop in the value of money, and the deficit of the State increased continually. The road to safety by absorption in a big economic system was considered by the Powers to be inadmissible. The Powers were not prepared to accord that help which would render it possible for Austria to have a separate existence. The financial operations in view could only obtain definite results in a few months, and in the opinion of the Austrian delegation were not sufficient. They required immediate help. What was to happen in the meanwhile? How were they to hold out? These questions would be asked of the Austrian Government on the return to Vienna of the representatives of the Austrian people. They must therefore again beg the representatives of the Allied Powers in the London Conference to communicate to the Austrian Chancellor the point of view of their Governments, and to let him know the answer which the Austrian Government, in these circumstances, should give to the above-mentioned questions.

MR. BLACKETT said that his Excellency had just made a very important and impressive statement, and one which had moved the meeting profoundly. In view of the great importance of that statement, he (Mr. Blackett) would not attempt to deal with it now. It would, however, be considered by the Allied experts and also by the Allied Ministers. All the Allies fully recognised the importance of coming to a quick decision in the matter and of taking action as soon as possible. He thanked Dr. Mayr and his colleagues for the very full answers which had been given to the questions asked by the conference, and he promised, on behalf of his colleagues and himself, that a report would be submitted to the Allied Ministers with the least possible delay, and the decision of Ministers communicated to the Austrian delegation at the earliest possible opportunity. In these circumstances, he suggested that the meeting had better adjourn without fixing any definite time for the next meeting.

He hoped, however, that it would be possible to communicate the decision of the Allied Ministers to the Austrian delegates within the next two or three days.

(The Austrian delegates then withdrew.)

2, Whitehall Gardens, S.W. 1, March 14, 1921.

APPENDIX I TO No. 63

Before dealing with the question of the use to be made of the assets and revenues of Austria as a basis for a future loan in foreign currency, it is necessary to point out the mortgages existing at present in regard to them:—

(a) General Mortgages

These date from the time of the conclusion of peace. They are twofold:—

- 1. Under article 197 of the Peace Treaty of Saint-Germain all Austrian assets and revenues are subject to a first charge in favour of reparations and other costs arising under the treaty or other agreements supplementary thereto or under arrangements concluded between the Allied and Associated Powers and Austria since the armistice.
- 2. With regard to the rule laid down in the last paragraph of article 200 of the peace treaty,³ the Austrian section of the Reparation Commission informed the Austrian Minister in Paris by a note, dated the 21st May, 1920,⁴ that the assets and revenues mentioned in article 197 were to serve, in the first place, as securities for the food and raw material credits already granted to Austria since the armistice, or yet to be granted with the assent of the Austrian section of the Reparation Commission. Such credits have not only been made by some of the Allied and Associated Powers, but also by several neutral States,⁵ so that they are also entitled to the above-mentioned mortgage.

(b) Special Mortgages

These date from pre-war times, and are also twofold:—

- 1. The receipts of the Austrian salt-mines are earmarked for the interests and amortisations of certain mortgage bonds, the so-called 'Salinen Scheine' (Salt Mine Bonds), for which a sum of about 100 million kronen is still outstanding. As against this the receipts for the salt monopoly anticipated for the year 1920-21 are 147.7 million kronen, the revenue from the monopoly exceeds by far the amount required in connection with the security.
- 2. Certain railway lines served as security to the extent of 3 milliards of kronen of the total State indebtedness of the former Austria. How much of this falls to the share of the present Austrian Republic can at present not be stated by figures.

If the general mortgage mentioned sub (a) were eliminated as a result of a renunciation to this claim on the part of the Powers interested, the following items especially could form a security for a foreign loan:—

³ This read: 'The payment for such supplies of food and raw material for Austria and such other payments as may be judged by the Principal Allied and Associated Powers to be essential to enable Austria to meet her obligations in respect of reparation shall have priority to the extent and upon the conditions which have been or may be determined by the Governments of the said Powers.'

4 Not printed.

⁵ See Vol. XII, No. 190.



1. The customs, the revenue from which for the year 1920-21, when the considerable increase in the tariffs recently made will hardly be felt yet, is estimated at 3 milliards. If the influence of this increase in the tariffs were calculated for a whole year, the receipts could no doubt be estimated at 4 milliards at least, which, at the rate of 2,800 kronen to the £1, would amount to about £1,430,000.

In the event of an improvement in the economic situation, the revenue from this source would probably be increased considerably, because, on the one hand, the quantities of goods imported, and subject to customs duties, would presumably be increased, while, on the other hand, a certain increase of the tariffs, especially in the case of purely revenue customs, could be made.

The customs revenue is, therefore, specially suitable as a basis for a foreign loan, because it yields partly an income in gold and sound currency, and partly, where the payments are made in kronen, the tariffs are increased from time to time in proportion to the depreciation of the rate of exchange of the krone (at present they are about seventy times the former peace-time charges).

- 2. The tobacco monopoly, which has always been one of the chief sources of revenue of the State. Its net result for the current financial year is estimated at 1,120 million kronen. A small part of this revenue is paid in marks. In the opinion of experts, certain receipts might be obtained in foreign currency, provided the raw material can be bought and a systematic export is set up. This monopoly is very suitable for a foreign loan, inasmuch as its receipts do not only cover the interests and amortisation, but because the valuable assets connected with it (tobacco factories) afford a further security.
- 3. A less valuable security are the State railways. They represent, of course, a high capital value; but in spite of the repeated increase in railway tariffs, the receipts, owing to the depreciation of the currency, have not kept pace with the more rapidly increasing expenditure, especially the payments for the staff, so that the estimates anticipate a loss on the working of the railways of more than 4 milliards of kronen.
- 4. The salt monopoly has already been dealt with in the preamble sub No. (b) 1. As a collateral of a foreign loan the salt monopoly has all the advantages mentioned in regard to the tobacco monopoly. Contrary to the latter, the exploitation of the salt monopoly—apart from its insignificant coal requirements—does not require any considerable capital; nor does it depend upon import of raw material, and consequently no foreign currencies need to be provided. This constitutes a supplementary advantage of the salt over the tobacco monopoly as a security for foreign loans.
- 5. When looking for adequate securities for a foreign loan, one need not confine oneself to already available revenues, but may also consider new resources yet to be developed. In the first place, a mineral oil monopoly could be considered. As Austria's mineral oil requirements are exclusively met by imports, the monopoly would have to be worked chiefly through levying duties similar to customs duties. Moreover, the monopoly could be put on a broader basis by taking over the three oil refineries situated on the territory of the Austrian Republic, which would undoubtedly increase the revenues of the said monopoly. In addition, the development of a sugar and an alcohol monopoly is actually under consideration, both of which could be made use of as securities for foreign loans.

It remains to be determined which of the above securities should be employed as a basis for the loan. Further, an agreement will be necessary in regard to the

control of the revenues thus selected, and in connection with the use to be made of the credits granted—both with due regard to the sovereignty of the Austrian State.

APPENDIX 2 TO No. 63

When submitting the attached memorandum on available securities, I feel bound to add that, apart from foreign credits, various other measures are required in order to secure Austria's economic reconstruction. The Government of the republic has repeatedly called attention to these measures, the most urgent ones being the following:—

- (a) Foundation of a new bank of issue: In the event of considerable credits being granted as applied for, private capital will in all probability be available for the above-mentioned purpose without any intervention on the part of the Allied Governments. This, however, would be conditional upon the Austro-Hungarian Bank being liquidated in such a manner as not to entail the complete breakdown of what remains of our monetary system.
- (b) Extension of the time limits for payments under the agreement with France, dated the 3rd August, 1920, and under the note of the British Government, dated the 27th August, 1920,6 both concerning pre-war debts (articles 248 and 249, Treaty of Saint-Germain).
- (c) Consolidation by a funding loan of interests accrued, due before and during the war, to a national of one of the Allied and Associated Powers in respect of securities issued or taken over by Austria, as well as capital sums which have become payable in respect of such securities, both within the limits of the responsibility of the republic as determined by article 203 of the Treaty of Saint-Germain.
- (d) The above to apply also to securities issued by the municipality of Vienna and provincial Governments.

Before closing, I venture once more to entreat the Allied Governments to hasten, as far as possible, the granting of the credits in question, considering that the depreciation of the Austrian currency is proceeding by leaps and bounds which, if not stayed in the shortest possible time, must inevitably entail the complete breakdown of our administrative apparatus.

APPENDIX 3 TO No. 63 Austria's Coal Supply

Under the existing contracts and arrangements Austria ought to get:-

From—						T	ons per month.
Czechoslovakia		•					150,000
Upper Silesia .		•					200,000
Poland	•	•	•	•	•	•	15,000
Austrian producti	on .	•	•				365,000 200,000
Production of the control of the con		-	·	•	•	·	565,000

But in actual practice we do not get the quantities mentioned, because the Czechoslovak contract in particular is not carried out.

These quantities of coal cover our need to the extent indicated below:—

For household purposes we rely almost exclusively on wood. The ration of gas

6 Not printed.

per household is 1 cubic metre; electric lighting is constantly very restricted; railway traffic is maintained to 60 per cent. of the traffic indicated in the timetables, moreover, the acceptance of freights has often to be suspended for one or two weeks. The industries can only be supplied to 30 per cent. or 40 per cent. of their requirements, the iron industry only with 10 per cent. on account of the lack of coke. Therefore, the Austrian Government beg that 300,000 tons, or at least a minimum of 200,000 tons of coal be allotted to Austria, in addition to the quantities stipulated at present. The industries could then be supplied to 50 per cent. or 60 per cent. of their requirements. The Reparation Commission and the inter-Allied missions have been negotiating in regard to this matter for the last year. We beg for a speedy conclusion to the effect that these 300,000 or 200,000 tons of coal a month be allotted to us on credit until we have established our balance of trade, so as to avoid the pressure of [?on] our depreciated currency, which would result if we had to find the foreign money for the coal purchases.

APPENDIX 4 TO No. 63 Austria's Foreign Trade, 1920

				Imports.	E	Exports.
				Tons.		Tons.
				4,450,000	I,	060,000
Coal				2,980,000		• •
Timber .				130,000		280,000
Iron ore .				• •		110,000
Magnesite .				• •		60,000
Mineral oil .				40,000		
Grain				220,000		
Flour				200,000		
Potatoes .			•	100,000		
Fats			•	42,000		• •
Condensed m	ilk	•	•	7,000		
Sugar			•	64,000		
Tobacco .			•	3,600		• •
Paper and pa	per	goods	3.	15,000		65,000
Leather good	s		•	150		1,800
Furniture .			•	4,200		18,000
Cotton .		•	•	8,000		• •
Cotton goods	;	•		4,600		4,500
Wool			•	6,500		• •
Woollen good	ds	•		2,600		900
Clothes .		•		• •		1,100
Glass		•		14,000		7,500
Cement .				37,000		14,000
Bricks		•		15,000		25,000
Iron and iron	ı god	ods		76,000		160,000
Other metal	and	d me	tal			
goods .	,			7,400		11,000
Machinery .	,			18,000		34,000
Chemical art	icles			37,000		50,000
Fertilisers .	,			28,000		• •

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An examination of these figures shows that the Austrian imports exceed exports by the whole importation of coal, corn and flour. The adverse balance can be estimated at 60 million dollars.

The following exports might be increased:-

Paper and Paper Goods.—The Austrian paper mills can turn out 20,000 truckloads; their actual present production is only 10,000 truckloads. About 15,000 trucks of coal would be required to raise the output of the Austrian paper mills to the normal standard. They could then increase the yearly export of paper by 10,000 truckloads, which would represent about 15,000,000 dollars.

Iron and Steel.—The Austrian furnaces used to yield about 650,000 tons of pigiron, which were then turned into steel. But now, owing to the lack of coke, out of ten blast furnaces only one is working. The production could be increased by an amount of more than 35,000,000 dollars, thus partly replacing the present importation and partly creating an export of high quality steel, hardware and machinery.

With a more ample supply of coal, there could be an increased export of the following articles:—Hardware, agricultural machinery, engines (400 a year), railway carriages, electric supply, rubber goods, cement, salt.

Moreover, there are a number of Austrian export industries which, owing to the temporarily suspended connection with the world's markets and the present crisis, have only to a small degree succeeded in taking up their export again. They are, however, increasing it already, and are likely to do so very much in the future, as, for instance, the timber industry, the embroidery trade (12,000 hands in the Vorarlberg alone), wool-spinning, button-making and carving, also the Viennese fashion trade and industrial art.

It may be assumed that Austria could cover in a comparatively short time her present imports plus a further import of 300,000 tons of coal by means of her exports. But it must not be overlooked that the imports are at present very restricted as a result of the lack of purchasing power on the part of the population and owing to the import restrictions.

Appendix 5 to No. 63

Austria: Food Requirements

In the course of one year Austria needs the following quantities of foodstuffs, which can only be secured by importation:—

1. Corn (less own production of 100,000 tons)—

	Whea	at and	l rye,	1,323	tons	per	day for			= 396,900	
	Maiz	e,		352		,,	,,	365	,,	= 128,480	,,
										525 ,3 80	,,
2.	Fats	•	•	•			•	•	•	40,000	,,
•	Meat	•		•	•		•	•	•	30,000	,,
4.	Conden	sed n	nilk							240,000	cases.

Calculated at present prices, we get the following expenditure:-

1. Corn (wheat, \$7; maiz	e, \$ 4) = {	Wheat Maize	•	•	\$28 r \$5	
2. Fats (\$0.31 pro kg.)						\$33 \$12	
3. Meat (\$0·1 ,,)			•		•	\$3	"
4. Condensed milk (\$7.85	pro	case)	•	•	•	\$2	,,
						\$50	

The quantities and amounts mentioned are based on the actual exceedingly small rations, and presume a 30 per cent. mixture of maize in the bread.

Though the most urgent requirements of Austria in regard to corn are covered up to the 15th May, 1921, through purchases made by means of kronen exported, we have no money at our disposal to purchase other foodstuffs up to the 31st August; thus we should until December 1921 require:—

				Corn	•			Tons.	Dollars.
In April (requireme	ents	cover	ed by	our o	wn p	urcha	ses)	• •	• •
In May (requireme	ents	for t	he fir	st hal	f of th	ne mo	nth		
covered by our o									
Wheat and i	rye	•	•	•	•			20,000	• •
Maize		•	•		•	•		5,000	• •

Month.	Corn.	Meat.	Fats.	Milk.	Total. In million \$.
April		2,500 tons	3,330 tons	20,000 cases	
		\$250,000	\$1,000,000	\$157,000	1,4077
May	21,768 tons	2,500 tons	3,330 tons	20,000 cases	İ
	(wheat and rye)	\$250,000	\$1,000,000	\$157,000	3.3
	10,912 maize				
	\$1.5 mill. wheat				
7	\$0.4 mill. maize.		4		Ì
June	39,690 tons	2,500 tons	3,330 tons	20,000 cases	
	(wheat and rye)	\$250,000	\$1,000,000	\$157,000	4.6
	\$2.8 mill. wheat				
	\$0.4 mill. maize.				
July	41,013 tons	2,500 tons	3,330 tons	20,000 cases	
July	(wheat and rye)	\$250,000	\$1,000,000	\$157,000	4.7
	10,912 maize	V-J0,000	¥ 1,000,000	4.5/,000	7,
	\$2.9 mill. wheat				
	\$0.4 mill. maize.				
August	41,013 tons	2,500 tons	3,330 tons	20,000 cases	
•	(wheat and rye)	\$250,000	\$1,000,000	\$157,000	4.7
	10,912 maize	- '		•	-
	\$2.9 mill. wheat				
	\$0.4 mill. maize.				
September ⁸	14,690 tons	2,500 tons	3,330 tons	20,000 cases	
	(wheat and rye)	\$250,000	\$1,000,000	\$157,000	2⋅8
	10,560 maize				
	\$1.03 mill, wheat				
	\$0·4 mill. maize.				

⁷ This should presumably have read: '1.407'.

⁸ Nots in original: 'For the months of September-December the inland harvest of 25,000 tons a month in wheat and rye is calculated and deducted from the requirements.'

Month.	Corn.	Meat.	Fats.	Milk.	Total In million \$.
October ⁸	16,013 tons (wheat and rye) 10,912 maize \$1.1 mill. wheat \$0.4 mill. maize.	2,500 tons \$250,000	3,330 tons \$1,000,000	20,000 cases \$157,000	2.9
November ⁸	14,690 tons (wheat and rye) 10,560 maize \$1.03 mill. wheat	2,500 tons \$250,000	3,330 tons \$1,000,000	20,000 cases \$157,000	2·8
December ⁸	\$0.4 mill. maize. 16,013 tons (wheat and rye) 10,912 maize \$1.1 mill. wheat \$0.4 mill. maize.	2,500 tons \$250,000	3,330 tons \$1,000,000	20,000 cases \$157,000	2.9

⁸ Note in original: 'For the months of September-December the inland harvest of 25,000 tons a month in wheat and rye is calculated and deducted from the requirements.'

No. 64

I.C.P. 1900] British Secretary's Draft¹ Notes of a Meeting of Allied Financial Experts, held in the Board Room, Treasury Chambers, on Monday, March 14, 1921, at 5 p.m.

PRESENT: British Empire: Mr. Blackett, Treasury (in the Chair); Sir W. Goode, Mr. Lindley; SECRETARIES, Mr. Howorth, Major Ottley.

France: Count de Saint-Aulaire, M. Pontalis, M. Avenol.

Italy: Marquis della Torretta, Comm. Giannini; secretary, Captain Zapelloni.

Japan: Mr. Kengo Mori.

Count Saint-Aulaire² said that as we none of us could give Austria State credits, the question which arose was to what extent we could facilitate the granting of private credits and what should be the reply to the questions asked by the Austrians. A basis for private credits might be found in the liens formerly held by the Allied Governments on the State effects of Austria. The meetings with the Austrians had merely had an informative value, and they really did not seem much further advanced. He suggested that a declaration be drafted which could be published, and which would enable the Austrian delegation to point to something definite on their return to Vienna. After all, what had we got to go on? The first fundamental fact was that England and France had agreed to abandon their claims and Italy, he understood, had also agreed to do so as and when it might become necessary.³

MARQUIS DE[LLA] TORRETTA4 confirmed this latter statement.

Mr. Blackett remarked that he was much impressed by the statement of

- ¹ Thus in original.
- ² The Comte de Saint-Aulaire, French Ambassador in London since Feb. 9, 1921.
- ³ Cf. No. 12, minute 5 and Appendix 5.
- 4 Italian Minister at Vienna.

the Austrians that it was not enough to release the liens as and when foreign lenders came forward. Something more would be necessary, and he suggested that the liens should be unconditionally released and not await the appearance of foreign lenders. Something must be allowed to Austria as a basis for a domestic loan, without which it would not be possible for her to stabilise her currency. It was possible that a foreign lender might consider the customs as a security and lend the sum so secured; that was not enough. Austria must be in a position to float a domestic loan. To do this they must know what would be their liability for reparation and how they stood with regard to interest and principle of the relief credits. It would be impossible to raise a domestic loan as long as Austria remained under a completely indefinite liability.

It would, therefore, be necessary to release the liens for a definite period and without waiting for the appearance of foreign lenders.

MR. LINDLEY⁵ remarked that after his experience at Vienna he attached the greatest importance to this aspect of the case, and regarded it as an absolute necessity that Austria should be given facilities of raising the internal loan.

MARQUIS DE[LLA] TORRETTA said that when his suggestion of releasing the liens as and when foreign lenders appeared was made, there was no question of an internal loan. This, of course, altered the aspect of the case, and he was prepared to agree to an immediate release of liens, but felt, however, that there was much to be discussed in this matter, because we lost our liens, and he felt that some form of control must be insisted upon.

COUNT SAINT-AULAIRE suggested that the liens should be immediately suspended for a definite period. The meeting was not in a position to fix the period for lack of material, but it should not be difficult for experts to do so, and it would obviously have to be a period of several years.

MR. BLACKETT interposed that the release must apply to all loans and creditors.

Count Saint-Aulaire agreed that the French, English and Italian were not the only Governments interested, but that the others should be informed. He suggested that a formula should be framed agreeing to suspend the liens for a period to be determined by experts and making provision for the necessary control.

A further question which arose was the date of the recalling of the conference to communicate these decisions to the Austrians.

MR. BLACKETT was of opinion that it was not possible to fix that date at once, as the matter must obviously be referred to the Ministers.

Count Saint-Aulaire expressed the opinion that inasmuch as the Austrians rather naturally took exception to the idea of control by private lenders, the Finance Committee of the League of Nations might be asked to exercise the necessary control on behalf of creditors.

- M. Avenol⁶ explained the working of the Finance Committee of the
- ⁵ H.M. Minister at Vienna.
- ⁶ French delegate to the Brussels International Financial Conference (see No. 61, n. 3) and a member of the Financial Committee of the League of Nations.

League of Nations with regard to the Ter Meulen scheme.⁷ This was formed to deal with a definite scheme and had certain definite powers given to it in respect of that scheme. Briefly, certain securities would be handed over by the borrowing Government to the Financial Commission, who would issue a Ter Meulen bond to be retained by the creditors as collateral. The application of the Ter Meulen scheme to the Austrians would necessitate the handing over of the aggregate securities to trustees appointed by the Finance Committee of the League of Nations. These trustees would exercise control over the Austrian finance operations. Although this was not a definite solution, it certainly marked a stage of advance.

In reply to questions, M. Avenol stated that the scheme would take two or three weeks to put into effect, and that the three members of the Finance Committee present⁸ would be competent to ask for a reunion of the Finance Committee of the League of Nations.

MR. BLACKETT considered that the release of the liens might take two months to effect, but that we now had three different points to put to the Austrians. First, the release of the liens; second, the meeting at Porto Rosa at the beginning of April; and third, the application of the Ter Meulen scheme under the control of the League of Nations Financial Committee. The question of the liberation bonds must be considered in this regard.

MARQUIS DE [LLA] TORRETTA remarked that the question of restitution and [? of] objets d'art were [sic] forming the subject of a separate discussion between [the] Italian and Austrian Governments.

MR. LINDLEY was of opinion that the coal question was by far the most important. He suggested that a definite assurance be given to the Austrians that the 200,000 tons of coal which they demanded monthly should be in any case forthcoming. As regards procedure, the coal commissions acted under orders from their respective Governments. At present all the coal from Upper Silesia and other sources under inter-Allied control was allotted, and it would therefore mean that the present recipients would have to renounce between them 200,000 tons a month in favour of Austria, but as things were, and he spoke from personal observation, the Austrians could not work. The provision of this coal would enable the exports to rise, and he thought it quite possible that the Austrian delegation had not exaggerated in claiming that this extra coal would enable them to pay [for] the bulk of their imports by exports.

Count Saint-Aulaire questioned the accuracy of the figures given by Austria. He suggested that the Austrian railways have 5,000 kilom. of line and run one train a day, using very much more coal than the Réseau de la Méditerranée, which had 12,000 kilom. of line and was running a normal service. The French might possibly have coal to dispose of, but they would demand some form of guarantee that the coal provided was put to the purpose for which it was intended. This would necessitate some control.

⁷ See No. 12, n. 13.

⁸ i.e. Mr. Blackett, M. Avenol, and Mr. Mori.

⁹ See No. 12, minute 5.

SIR WILLIAM GOODE¹⁰ pointed out that in addition to the 200,000 tons of extra coal which was being asked for, Austria was in danger of losing the 200,000 tons which she was now getting from Upper Silesia. The questions of credits and coal were interlocked and were not distinct. If the Ter Meulen scheme turned out to be workable, it would be possible to sell coal on the security of Ter Meulen bonds or a six months' bill.

M. Avenol asserted that if France could obtain the necessary credits and guarantees, she would do her best to find her quota of the necessary coal. He was not satisfied that it would be possible for the disorganised Government to control the distribution of coal, and he believed that private firms could probably obtain coal through the buyers of their finished articles by private credits.

Mr. Blackett suggested that something might be done by facilitating the sale of English coal, if not direct to Austria, then to some other country whose normal source of supply would be able to provide Austria.

MR. LINDLEY stated that English coal would be far more expensive than Upper Silesian coal. As regards control, there was such an appalling shortage in Austria that it was essential that the Government should control it. It was not to be denied that there was leakage, and probably the railways were selling coal to individuals. It would not be possible, in his opinion, for private individuals to obtain their coal privately, because all sources of supply were under the control of the Inter-Allied Coal Commission as regards allocation.

COUNT SAINT-AULAIRE raised again the question of the date at which it would be possible to raise the liens, and pointed out that it would be necessary to communicate with the United States of America and interested neutrals. It would not be possible, therefore, to fix a date at once, as it would depend on the adhesion of the United States of America and the neutrals to this scheme.

SIR WILLIAM GOODE pointed out that it would be very necessary to go carefully with regard to any new conditions which might be applied to the resumption of the liens, as this might necessitate a revision of the treaty. The British Government had already proposed to the United States to abandon claims for reparation, and it would now be necessary to inform her and the neutrals of the change of plan.

MR. BLACKETT was of opinion that the League of Nations scheme could be worked very quickly, and the credits, if ever, would become available as soon as this scheme was put into effect. It was, however, necessary first to realise their credit. He understood that M. Loucheur had found adherents to the scheme of private credits both in France and Italy, but obviously the credit depended on security.

On the motion of Count Saint-Aulaire, a committee of one representative of each nation was appointed to draft a report for submission to the Supreme Council embodying a reply to the four questions asked by the Austrian Chancellor.

(The meeting adjourned at 6.30.)

10 Chief British delegate on the Austrian Section of the Reparation Commission.

A committee consisting of-

Great Britain: Mr. Lindley (in the Chair), Sir William Goode.

France: M. Avenol, M. Lefèvre-Pontalis. Italy: Signor [Marquis della] Torretta.

Japan: Mr. Kengo Mori.

assembled at 6.40, and after a general discussion agreed on the terms of a note embodying draft replies to the questions asked by the Austrian delegates. A copy of this note is attached (see Appendix).

2, Whitehall Gardens, S.W. 1, March 15, 1921.

Appendix to No. 64

- I. In order to assist in the execution of the following plans, the Allied Governments are agreed, in so far as they are concerned and subject to the adhesion of other interested Governments, to release during a period of years to be fixed later their liens in respect of claims against the Austrian Government for the cost of armies of occupation, relief credits and reparations. The said Governments will move their representative[? s] on the Reparations Commission to take the necessary steps in this sense, and will approach the Governments who are not represented on the commission to obtain their adhesion.
- 2. The Financial Committee of the League of Nations will be informed at once of the details of the application to Austria of the Ter Meulen scheme of credits. The plan will be applied as soon as the question of the prior claims against Austria has been settled by the Reparations Commission and the Governments interested who are not represented upon it.
- 3. We believe that under the conditions mentioned above the principal obstacles to a participation of private capital in a credit operation will be removed.

As regards coal, the Allied Governments undertake that no obstacles will be put in the way of its allotment in the necessary quantities to Austria, provided the financial arrangements are made for its payment.

No. 65

I.C.P. 190G] Interview between the Prime Minister and Bekir Sami Bey at the House of Commons, on Wednesday, March 16, 1921

BEKIR SAMI BEY said that he wished to thank the British Government for the way in which it had treated the Turkish delegation. He was going to Angora next day and would arrive there in about a fortnight, and he undertook this journey in good spirits hoping, with the support of Great Britain, to arrive eventually at a satisfactory settlement.

THE PRIME MINISTER said that Great Britain was also anxious to restore its ancient friendship and that no further misunderstandings should arise. There were two points, however, which he wished to mention. The first was that the British Government had heard that the Turks were making trouble

for the British in the Mosul area.¹ He said that the British Government did not want to have any disagreements with the Turkish Government, and he hoped that the Angora Government would prevent any such thing being done, because if there was trouble of that nature, the British Government would feel bound to give assistance to the Greeks in any hostilities which they might undertake against Mustapha Kemal.

BEKIR SAMI BEY replied that, so far as Mosul was concerned, he could assure the Prime Minister that it was not the intention of the Turkish Government to make trouble. They had no interest in doing so, and they did not wish to interfere with the Arabs, and, in his opinion, Mesopotamia was certainly not worth the price of British friendship. He would certainly impress upon the Angora Assembly what the Prime Minister had said.

THE PRIME MINISTER then said that the second point which he wanted to make clear was that he hoped that the Angora Government would be in a position to send a reply to the Allied proposals² as soon as possible. At present there was no truce between the Greeks and the Turks and war might restart at any time as the Allies had no power of controlling the Greek army. It was therefore very important that a settlement should be arrived at if possible without any unnecessary delay, as otherwise the war might break out afresh.

BEKIR SAMI BEY said that he entirely agreed, and that he would do his best to get a reply sent from the Angora Government as soon as possible.

THE PRIME MINISTER pointed out that it was in the interest of Turkey to make peace with the goodwill of all the Powers. In that way the past would be wiped out and Turkey would make a fresh start. Great Britain did not wish to interfere in any way with the freedom of Turkey. He would like, therefore, a peace which would mean a fresh start all round.

Bekir Sami Bey agreed, and asked whether he could inform the Turkish Assembly at Angora that Turkey would have the support of Great Britain in her request for a modification of the treaty in various ways, especially financial and economic. From that point of view alone, Thrace and Smyrna were indispensable to the future of Turkey.

THE PRIME MINISTER here interrupted, and said that it was impossible for Great Britain to go beyond its present concessions. Great Britain had made very great concessions to Turkey, and the Turkish delegation ought to be proud of the success it had achieved. It had recovered liberty in Constantinople and liberty in the Straits. It had recovered a great deal of financial and economic independence, and had gained concessions in Kurdistan and in regard to Armenia. It had secured a modification of the régime in Smyrna, and it would be a great mistake for Turkey to throw away these concessions for the sake of impossible demands in Thrace and elsewhere.

¹ See The Times, March 12, p. 9, where a semi-official statement issued on March 11 is printed. It stated that two bands from Turkish territory had raided in the Mosul area and one of them had collected booty to the amount of 70 camels and 1300 sheep. In retaliation, British aeroplanes had bombed the raiders' camps on March 3 with good effect but two British machines had been hit by fire from the ground.

² See No. 59.

The fundamental question was whether it was worth while for Turkey to renew the war with Greece for the sake of trying to get better terms in Smyrna. If the Turks were unreasonable, it undoubtedly meant a renewal of the conflict in which the Smyrna question would have to be fought out between the Greeks and the Turks.

Bekir Sami Bey said that, despite Mr. Lloyd George's statements in regard to Thrace and Smyrna, he returned to Angora in an optimistic frame of mind, as he was confident that Great Britain would support Turkey's just claims. He then urged the British Government to recognise the States to the north of the Caucasus, as he was convinced that the constitution of a powerful Caucasian federation was to the interests of both Turkey and Great Britain.

2, Whitehall Gardens, S.W., March 19, 1921.

No. 66

I.C.P. 190H] Interview between the Prime Minister and Tewfik Pasha, Grand Vizier of Turkey, at 10, Downing Street, on Wednesday, March 16, 1921

After the usual exchange of courtesies, during which Tewfik Pasha said he wished to thank the Prime Minister for the kindness and hospitality of the British Government, and the expression of a mutual desire for an early peace, The Prime Minister said that he hoped it would be possible for the Turkish delegates to give an early reply to the Allied proposals. He wished to make it clear that until the peace was signed there was no truce. The Allies had no means of preventing the Greeks from attacking the Turks, and, if the reply was delayed, there was grave risk that the Greeks would attack Mustapha Kemal in order to bring matters to a head. He urgently pressed, therefore, that the Turks should give a reply with the minimum of delay in order to prevent a fresh outbreak of war.

THE GRAND VIZIER said he perfectly understood this, but that the difficulty was that, though Constantinople would be ready to give a reply immediately, Bekir Sami Bey had to go back to Angora, which would take some time to reach, even though the French had placed a destroyer at his disposal.

THE PRIME MINISTER again pressed for an early reply in order to prevent a renewal of the war, and the interview terminated.

2, Whitehall Gardens, S.W., March 19, 1921.

¹ See No. 59.

I.C.P. 190D] British Secretary's Verbatim Notes of a Meeting of Financial Experts held in the Board Room, Treasury, on Thursday, March 17, 1921, at 11 a.m.

PRESENT: British Empire: The Rt. Hon. A. Chamberlain, M.P., Chancellor of the Exchequer (in the Chair); Mr. Blackett, Treasury; Mr. Lindley, Sir W. Goode, Mr. Waterlow; SECRETARIES, Mr. Howorth, Mr. Gower.

France: Count de Saint-Aulaire, M. Pontalis, M. Avenol.

Italy: Signor de Martino, Captain Zapelloni.

Japan: Baron Hayashi, Mr. Kengo Mori; secretary, Mr. Saito.

INTERPRETER: Mr. Hinchley Cooke.

MR. CHAMBERLAIN: Gentlemen, our experts have examined the statements which were laid before us by the Austrian Government, have gone into the various questions of detail with them, and have prepared some conclusions² which I understand it is desired that I should communicate to the Austrian delegates to-day. I propose merely to preface these conclusions with two observations. The first is that, having regard to the assistance which we are now trying to give to Austria, we expect the Austrian Government to carry out without further delay the decisions of the Conference of Ambassadors in relation to disarmament.³ The second preliminary observation I propose to make to the Austrian delegates is in regard to the Austro-Hungarian Bank. It is that I understand that a special hearing is to be given to the representatives of Austria to-morrow (Friday) by the Reparation Commission in Paris, which will, I trust, lead to useful results in settling this very difficult and complicated question; that the Allied Governments recognise the great importance for Austria that the Austro-Hungarian Bank should, if possible, be placed in a position to carry out its functions in regard to the internal finances of Austria, and they desire that the work of reconstitution should be conducted by the liquidators of the bank in such a way as not to prevent the bank from exercising these continuing functions. That is, I think, in complete accord with what was said by M. Loucheur and all of us at our meeting the other day, that we did not wish the necessary division of the assets of the Austro-Hungarian Bank to lead to a break-up of the bank and its destruction. On the contrary, we wanted to preserve them.

SIGNOR MARTINO: I wish in any case to confirm here the different reservations formulated at the previous meetings by the Marquis della Torretta, adding that I have no instructions to assent to the fresh proposals which have been brought forward after the last meeting.

¹ See No. 63, Appendices 1-5.

² Cf. No. 64, Appendix.

³ See e.g. Vol. XII, No. 293.

⁴ This information had been given to the British, French, and Italian Governments by the Reparation Commission on March 11.

⁵ Signor de Martino had presented his credentials as Italian Ambassador in London on Feb. 8, 1921.

With regard to the execution of the military clauses, this is a matter which has not been raised. I am disposed, however, to assent to the request which the president of the conference has been good enough to make to me, but subject to the reservation that, if my Government is not in agreement, the point of view of Italy will be communicated to the Allied Governments as well as to the Austrian Government.

It is clearly understood that as regards this matter the communication to the Austrian delegation must be considered by the Conference of Ambassadors within the limits of the resolutions which have been adopted, and with the consent of Italy.

MR. CHAMBERLAIN: I understand from the Italian Ambassador that his general assent has to be given under the reservation of confirmation by his Government. I understand that the French Ambassador is prepared at once to express the assent of his Government, and I am prepared to express the assent of my Government to the proposals. What is your opinion, Baron Hayashi?

BARON HAYASHI: I wrote a letter last evening saying that, having no time to communicate with my Government, I am prepared to say, under confirmation, that my Government will agree.

MR. CHAMBERLAIN: In making the declaration, I take it I may say that the Italian and Japanese representatives have not had time to communicate with their Governments, and their assent is given subject to the concurrence of their Governments.

BARON HAYASHI: Yes.

Signor Martino: That is in regard to the military clauses.

MR. CHAMBERLAIN: I am wondering whether it is worth while, if it is only in connection with the military clauses, which is accessory to the work we are doing, mentioning this matter to the Austrian delegates at all.

BARON HAYASHI: It is principally in regard to the military clauses, and I have no doubt my Government will confirm it.

MR. CHAMBERLAIN: I think it is better that I should say no more about the military clauses, and leave it to the Conference of Ambassadors.

SIGNOR MARTINO: Yes. BARON HAYASHI: Yes.

MR. CHAMBERLAIN: Then we are all agreed, without reserve.

2, Whitehall Gardens, S.W., March 17, 1921.

No. 68

I.C.P. 190E] British Secretary's Verbatim Notes of a Meeting of Financial Experts held in the Board Room, Treasury, on Thursday, March 17, 1921, at 11.15 a.m.

PRESENT: British Empire: The Rt. Hon. A. Chamberlain, M.P., Chancellor of the Exchequer (in the Chair); Mr. Blackett, Treasury; Mr. Lindley, Sir W. Goode, Mr. Waterlow; SECRETARIES, Mr. Howorth, Mr. Gower.

France: Count de Saint-Aulaire, M. Pontalis, M. Avenol.

Italy: Signor de Martino, Captain Zapelloni.

Japan: Baron Hayashi, Mr. Kengo Mori; secretary, Mr. Saito.

Interpreter: Mr. Hinchley Cooke.

Austrian Delegation: His Excellency Dr. Mayr, His Excellency Baron Franckenstein, Dr. Grimm, Dr. Grünberger, Dr. Schüller, Dr. Simon.

MR. CHAMBERLAIN: We have taken into consideration the reports of our experts upon the information which you were good enough to supply to them, and upon the conferences which they have had with you. I need not repeat on this occasion what was said by Mr. Lloyd George at the conference at St. James's Palace¹ as to our understanding of the difficulties with which you are confronted, and our desire, within the limit of our powers, to help Austria to regain a solid position and to start on the new national life which now opens before her.

I will deal at once with the specific matters which were referred to us as financial experts. There is, however, one question which was raised in the memorandum submitted by the Austrian Finance Minister about which I should first wish to say a word—the position of the Austro-Hungarian Bank. I understand that a special hearing is to be given to the representatives of Austria to-morrow, Friday, by the Reparation Commission, in Paris, which will, I trust, lead to useful results in settling this very difficult and complicated question.² The Allied Governments recognise the great importance for Austria that the Austro-Hungarian Bank should, if possible, be placed in a position to carry out its functions in regard to the internal finances of Austria, and they desire that the work of reconstitution should be conducted by the liquidators of the bank in such a way as not to prevent the bank from exercising these continuing functions.

(Mr. Chamberlain then read the document which is attached as an appendix to these minutes.)

MR. CHAMBERLAIN: I hope that by these proposals the Allied Powers have laid the foundation for the reconstruction of Austria's economic life.

DR. MAYR: High Conference, we have appeared before the representatives of the Allied Powers, and we have laid before them openly and without reservation the plight of Austria. The representatives of the Allied Powers have been kind enough to listen to us with much patience, and we are convinced of their goodwill to help us so far as it is in their power. We have taken note of the declarations and promise of help of the Allied Powers with great interest and gratitude.

I have already said that I should like to add a few remarks to my previous declarations. The delay which has up to the present occurred in the action of the Allies has been of considerable disadvantage to Austria, and I should like to lay great stress on the fact that any action taken on the part of the

¹ See No. 61, p. 415. ² Cf. No. 67, n. 4.

Allied and Associated Powers should be taken with the shortest delay possible. I should further request the Allied Powers to take all the steps necessary to make it possible that the loans be floated which we are allowed.

Finally, I wish to express the thanks of the Austrian Government for the promised help, and I would add that the Austrian Government will do everything in their power to obtain good results, in the hope that the credits will be sufficient to straighten out the present financial conditions of the country. This is our promise to the Allied Powers who have shown so much interest at the present London Conference in the present plight of Austria, showing that they understand that it will not be possible for Austria to get on to her feet by herself.

Our special thanks are also due to the British Government and the British nation for the excellent reception which we have received in London.

MR. CHAMBERLAIN: Your Excellency, I can say, on behalf of the Allied Powers, that we will do all in our power to secure decisions as quickly as possible upon the matters which are opened by the resolutions to which we have come. There will be no delay that we can avoid.

I have only to thank you, Dr. Mayr, for the kindly way in which you have spoken of my country, and to express the hope that the results of your visit here and of the conferences which have been held may be fruitful for Austria and the peace of the world.

DR. MAYR: I wish to thank you again, and I am full of hope and trust that what you have said will come true.

Appendix to No. 68

Statement handed to the Austrian Delegation by the Chancellor of the Exchequer at the Meeting on Thursday, March 17, 1921, at 11 a.m.

- 1. On the understanding that the Austrian Government desire the application to Austria of the international credits scheme, as approved by the League of Nations, and are prepared to place, as provided under clause 7 of that scheme, the administration of the assigned assets in the hands of the Financial Committee of the League of Nations.
- 2. The Governments of Great Britain, France, Italy and Japan have decided to release for a period of years, to be determined later, their liens under the Treaty of Saint-Germain in respect of claims against the Austrian Government for the cost of armies of occupation, for relief credit bonds, and reparations, provided other interested Governments will agree to similar postponement.
- 3. The four Allied Governments are taking, through their representatives on the Reparation Commission, the steps necessary to obtain the release of these liens on the part of the other Powers represented on the Reparation Commission and are communicating in the same sense with the Governments who participated in relief loans to Austria, but are not represented on the commission.
- 4. The Financial Committee of the League of Nations will hold a meeting within the next fortnight in order to present to bankers for examination the proposals made by the Austrian Ministers with regard to the amount of the loans required, the character of the securities available, and the services which the Financial Committee are in a position to offer in the matter.

5. The plan may be briefly summarised as follows:—

The four Allied Powers are prepared to postpone payments (as enumerated in article 2) which they are entitled to demand under the Treaty of Saint-Germain and also the payment of capital and interest on the advances which they have made to Austria since the armistice in order to avert starvation in that country. The whole of the assets of Austria are at present pledged as security for these payments. It is now proposed that the charges in respect of them against the Austrian assets shall be formally released and that no specific charge or security shall be substituted, although the debt of the Austrian Government, while suspended for a definite period of years, will remain and the respective priorities will not be affected. The Financial Committee of the League of Nations would take steps immediately to determine the gold value of the security which it could, under the Ter Meulen scheme, approve against the security of such assets which the Austrian Government would then be free to pledge; such as the customs revenues, tobacco monopoly, &c. The assets would be administered under the control of the Financial Committee, and the Ter Meulen bonds issued against these assets would be held by the lenders as collateral for their advances. By the utilisation of this machinery additional protection will be afforded both to the lender and the borrower, and some of the principal obstacles in the way of the participation of private capital would be removed.

The four Allied Powers, in consultation with the other Powers concerned, will consider the possibility of placing under one trusteeship the suspended interests of the Powers and the interests of those who participate in credits provided under the present proposal.

It is hoped that in addition to facilitating external borrowing the release of their liens and the suspension of their claims by the Allied Powers will assist the Austrian Government to hasten the date at which it will be in a position to arrive at a balanced budget and by means of internal borrowings to reduce the amount of outstanding paper currency.

- 6. The four Allied Governments will use their good offices at the conference shortly to be held at Porto Rosa to bring about an improvement in the economic conditions which at present adversely affect the countries of Central and South-Eastern Europe.
- 7. The Allied Governments will also take such steps as are in their power to assure to Austria a continued and increased supply of coal.

No. 69

I.C.P. 190F] Notes of a Meeting held at 10, Downing Street, London, S.W., on Friday, March 18, 1921, at 11 a.m.¹

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister; Sir M. Hankey, G.C.B., Mr. Kerr.

Greece: M. Kalogeropoulos, M. Gounaris, M. Rizo-Rangabé.

MR. LLOYD GEORGE said that the Turkish delegation had already left London. Before they went, he had seen Tewfik Pasha and Bekir Sami Bey.²

- A French translation of these Notes is printed in Frangulis, vol. ii, pp. 224-8.
- ² See Nos. 66 and 65 respectively.

The former had said that the Imperial Ottoman Government would give its answer to the Allied proposals quite soon. Bekir Sami Bey had said that it would take fourteen days for him to reach Angora and another ten days before the answer would be forthcoming. He (Mr. Lloyd George) had felt obliged to remind both of the principal Turkish delegates named above that no truce had been arranged between the forces, and that the conference could not be responsible to either side that its enemy would not attack. It could not restrain the Greeks from attacking the Turks nor the Turks from attacking the Greeks. The Turkish delegations, therefore, must not assume that there was any guarantee that there would be no further fighting. He asked if the Greek delegates had anything to say before they left.

M. Gounaris said, in reply to Mr. Lloyd George, that, having regard to the proposals of the conference, the Greek delegation desired to submit certain considerations in regard to the situation in the Near East, in the hope that the British Prime Minister would examine them and give them the benefit of his own views on the subject. The British Government was already acquainted with the attitude of the Greek delegation on those parts of the conference's proposal which affected the status of the Smyrna area. In a confidential conversation the Greek delegation had made known the modifications which were calculated to render its acceptance of the proposals possible.³ Such acceptance was, of course, conditional on the proposal being also accepted by Turkey.

MR. LLOYD GEORGE interpolated that everything depended on that.

M. Gounaris, continuing, said it was also contingent on no fresh sacrifices being demanded of Greece. The Greek delegation, he continued, would naturally be disposed to lay before the British Government certain observations on the remainder of the proposals of the conference, especially in regard to the military and naval increase proposed to the Turkish forces, and the possible use of the Straits for transferring Turkish troops from Asia to the European side. However, as he understood from Mr. Lloyd George that the Turkish delegation did not propose to answer for twenty-four days and was returning to Angora to consult the National Assembly, the Greek delegation felt that there was no necessity to give its answer at the moment.

In the meantime the military situation on the Asia Minor front, where the Greek army was still fighting in order to fulfil the obligations involved by the mandate of the Powers, had changed somewhat to the detriment of Greece. An important factor was the conclusion of a separate truce between Turkey and France, which appeared to have become an accomplished fact, though no official communication on the subject had been made by France to Greece, who was her ally.4

MR. LLOYD GEORGE interposed that no official communication had been

- ³ See No. 54.
- 4 On March 10 M. Briand had concluded an armistice with the Turkish Nationalist delegation which provided for an immediate exchange of prisoners, a new Syrian-Cilician frontier, and French military evacuation of Cilicia in return for the grant of economic advantages to France in Cilicia.

made to the British Government either. He knew as little on the subject as M. Gounaris. Apparently it had been arranged between the French and the Turks.

M. RIZO-RANGABÉ said there had been an announcement in the 'Temps' on the subject.5

M. GOUNARIS said that this facilitated the transfer of Kemalist forces from the French front to the Greek.

MR. LLOYD GEORGE said that the British Government had entered into no corresponding arrangement.

M. GOUNARIS said that the prisoners exchanged would also be available to reinforce the Turkish front.

MR. LLOYD GEORGE said that the British Government had also arranged an exchange of prisoners, but the numbers were negligible.6

M. Gounaris said that his remarks about prisoners had referred only to the French. As a matter of fact, hostile concentrations on the Greek front had already been observed. As a consequence, Greece found herself under the necessity of undertaking immediate operations in Asia Minor. Such operations, moreover, he hoped would tend to accelerate the submission of the Turks, which, as Mr. Lloyd George himself had pointed out on the previous Thursday,7 was otherwise extremely unlikely.

MR. LLOYD GEORGE asked if the operations were to be undertaken immediately.

M. KALOGEROPOULOS said that they would start next week.

M. Gounaris said that the Greek Commander-in-chief and his staff had already started for the front.

MR. LLOYD GEORGE said he had been afraid that the Turks might charge the conference with a breach of faith if Greece attacked. Consequently, he had felt bound to make it clear both to Tewfik Pasha and Bekir Sami Bey that the Greeks were free to attack the Turks, and, vice versa, the Turks were free to attack the Greeks, and that the conference had made no arrangement to prevent such an attack.

M. Gounaris said that, with a view to greater security in these operations, the Greek Government had decided to balance the accession of strength to the Turkish army by mobilising three new military classes. This mobilisation would take effect immediately after the commencement of hostilities, and the Greek Government confidently expected that 45,000 additional troops would become available. They proposed to support this mobilisation by a personal appeal by His Majesty the King of Greece, and they contemplated also that t might be desirable to utilise the presence of the King at the front in order to improve the moral of the army.

See Le Temps, March 12, p. 1.

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Cf. No. 36, p. 285. In an answer to a parliamentary question on Feb. 24, Mr. Harmsworth, liamentary Under-Secretary of State for Foreign Affairs, had said: 'There are 22 British oners in the hands of the Turkish Nationalists, and there are a number of Nationalists British custody. . . . It is hoped that the matter may be settled at the present conference'; 138 H.C. Deb., 5 s., col. 1144.

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For these operations Greece required financial sacrifices. The general economic condition of the country was such as to justify the acceptance of the financial burden involved in the coming operations. It was only natural, however, that Greece should not have the necessary cash immediately ready. They had immediately ready cash for a period only, and after that they would have to have recourse to paper currency. Should the consent of the International Financial Commission not be forthcoming, the Greek Government proposed, as it did not wish to issue paper money without such consent, to establish a new bank of issue and to issue through it paper currency which would be legal tender in those provinces where the International Financial Commission had no jurisdiction owing to the fact that the said provinces had been united with Greece subsequent to the establishment of the International Financial Commission.8 In reply to Mr. Lloyd George, he said that these provinces were Macedonia, Thrace, Epirus and the Islands. Smyrna had a special financial status under the Treaty of Sèvres, and employed Turkish currency. The Greek army in Turkey would be paid with Greek money converted into Turkish exchange. The Greek Government was not unmindful of the effect that these transactions would have on the Greek exchange, and consequently on the interests represented by the International Financial Commission. The Greek Government, therefore, would regard it as a favour if the British Government could find some other solution of their financial difficulties than by the measures proposed above. Such a solution might be achieved if the British Government could facilitate a loan being floated with its support on the British money market, or, alternatively, by opening a credit to the Greek Government without any immediate deposit of cash.

MR. LLOYD GEORGE said he did not understand the latter proposal.

M. Gounaris explained that the proposal was for the Greek Government to utilise those credits which would be covered by the issue of banknotes by the National Bank of Greece, a system which had already been applied by Greece.

MR. LLOYD GEORGE said he still did not understand how this could be done without some sort of guarantee by Great Britain.

M. Gounaris said that the National Bank of Greece would issue paper currency or cash, the cover for which was actually abroad and amounted to several hundred millions of drachmas. If Greece secured fresh credits abroad, the National Bank of Greece would not use the credits open now before the other credits outstanding.

MR. LLOYD GEORGE suggested that the proposal should be put in writing for examination in the Treasury.

M. Gounaris said that the system he contemplated had already been applied in Greece by the opening of credits in England, and M. Maximos, the Governor of the National Bank of Greece, had already exchanged views with the Treasury on the subject and had given full explanations as to the financial and economic situation of Greece.

Mr. LLOYD GEORGE approved the discussions with the Treasury.

8 In 1898; see Vol. XII, No. 475, n. 2.

M. Gounaris said that this was the system which the Powers had examined a year ago with the idea of applying it to their own financial position.

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MR. LLOYD GEORGE said that Great Britain had made considerable advances—he believed about £16,000,000—to Greece. He wanted to know if they were connected with this scheme.

M. Gounaris replied in the affirmative. The outstanding balance was from these credits.

MR. LLOYD GEORGE said that when the British Government came to consider these proposals a good deal would depend upon the attitude of Angora. If the Turks refused the proposals of the Powers and made war, they would have a new situation to examine. It was imperative to Greece to make it quite clear to the Western Powers, and particularly to the people of England, that responsibility for bloodshed and strife rested with the Turks and not with the Greeks. Hence, a reasonable attitude on the part of the Greeks to the proposals of the Powers would make a great difference to the British people and Parliament.

M. Gounaris said that the military situation was changing so rapidly against Greece that it imposed upon her the necessity of taking measures to re-establish it without undue provocation.

MR. LLOYD GEORGE said he had not objected to such measures as Greece might think it essential for her to take, but his remarks had applied to the general attitude of Greece towards the proposals of the Powers. If Greece were to accept while the Turks refused, the situation would be easier for her.

M. Gounaris asked if he might be allowed to go with M. Maximos to the Treasury to discuss the financial question.

MR. LLOYD GEORGE said he quite agreed to this.

M. Gounaris said he would stay a few days longer in London for the purpose.

MR. KERR said that M. Maximos had seen Mr. Blackett and Mr. Hawtrey.9

MR. LLOYD GEORGE said it would be advisable for M. Gounaris to see Mr. Blackett. He wished to make it quite clear to the Greek delegation that if the Greek army thought it necessary to take steps to provide for its safety in view of the increase of Mustapha Kemal's forces, the conference could not take the responsibility for forbidding them. He had put that quite clearly to his colleagues at the conference, namely, that it was not fair that Mustapha Kemal should be able to increase his forces to the disadvantage of the Greeks, without the latter being free to safeguard their position. His colleagues had quite accepted this. He would add, on his own account, however, that presumably the Greek Ministry had taken into consideration the fact that if the Greek army sustained a reverse it would make the Angora Government impossible to deal with.

M. KALOGEROPOULOS and M. GOUNARIS replied that this had been taken into account.

M. Gounaris said the Greek delegation wished to express their thanks for

9 An Assistant Secretary in H.M. Treasury.

the measures that Mr. Lloyd George had taken, not only with the Turks, but also with the Allies, to secure their freedom of action.

Mr. Lloyd George said he hoped that this matter would be settled in such a way as to bring peace to the East, and, in addition, to strengthen Greece, because Great Britain always had a warm corner in her heart for the Greek people and wished them well and looked forward to a career of usefulness and revived glory in Greece.

M. Gounaris thanked Mr. Lloyd George for expressing these sentiments and for the great support he had given to Greece and to the members of the Greek Government present to-day in order to secure a settlement of peace to the East and to bring security and a flourishing condition to the Greek country. Finally, he thanked Mr. Lloyd George for the hospitality of the British Government.

2, Whitehall Gardens, S.W., March 18, 1921.

10 The French text (see n. 1 above) here read: 'un avenir'.

CHAPTER III

Proceedings of the Fourth Conference of Hythe (or Lympne) April 23–24, 1921

No. 70

1.C.P. 1901] British Secretary's Notes of a Meeting held at Belcaire, Lympne, near Hythe, on Saturday, April 23, 1921, at 3.30 p.m.

PRESENT: Great Britain: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister; Sir M. Hankey, Mr. Kerr, Mr. Vansittart.

France: M. Briand, President of the Council; M. Berthelot, Secretary-General of the Foreign Office.

INTERPRETER: M. Camerlynck.

1. Reparations by Germany

M. Briand asked if the British Government had received the proposals of the Germans.

MR. LLOYD GEORGE replied that he had received a note containing proposals as to the use of German labour and material in the devastated regions.

M. Briand said he had seen a summary of the note in the press, but before he left Paris he had not received it officially. He asked if it dealt only with material.

MR. LLOYD GEORGE replied 'material and labour'.

(Mr. Vansittart¹ then handed round a copy of the note (see Appendix 1).² M. Camerlynck translated the note into French.

Mr. Vansittart then handed to Mr. Lloyd George a document.)

MR. LLOYD GEORGE said that it was only right that the French Government should have all the information in the possession of the British Government.

Mr. Lloyd George, after glancing at the document, which referred to article 248 of the German treaty,³ said that this was valueless, but it could be communicated for what it was worth.

(Mr. Vansittart then handed Mr. Lloyd George a second manuscript document.)

Mr. LLOYD GEORGE said that this was of some importance. It was a private

- ¹ Lord Curzon's Political Secretary.
- ² Not here printed. The note was published in full in The Times, April 23, pp. 10 and 12.
- ³ Art. 248 read: '...a first charge upon all the assets and revenues of the German Empire and its constituent States shall be the cost of reparation...'

and secret despatch from Lord D'Abernon,⁴ to the effect that the German Chancellor had sent him a confidential and secret communication at 7 o'clock on the previous evening, in which he had stated that the German Government would certainly take the Paris decisions on reparations⁵ as a basis for negotiations. The German Government were trying to find some method of putting this decision in a form which would be palatable to public opinion in Germany, but the German Chancellor did not think this would be at all an easy task, on account of the declarations which had been made from time to time in Germany. Lord D'Abernon had added at the end of the message that he transmitted it because he was asked to do so, but that in his personal opinion he did not consider it advisable that the Allies should base their action upon it unless confirmed.

M. Briand said that the truth was that we were, as always, in the presence of a question of internal policy in Germany. According to the information received by the French Government in regard to the recent discussions in Germany, attempts were being made to reach some sort of an agreement, but public opinion was more than ever excited, with the result that there was little possibility of reaching any positive result.

MR. LLOYD GEORGE said that every nation had to struggle against public opinion.

M. Briand agreed.

MR. LLOYD GEORGE said that M. Briand was being pressed by his public opinion to take extreme measures, whereas the British Government was being pressed in exactly the opposite direction. Just before he had left the House of Commons on the previous day he had received a communication protesting against any occupation of the Ruhr and demanding a discussion in the House of Commons before the British Government committed itself. This communication had been signed by Mr. Asquith, Lord Robert Cecil, Mr. Clynes, and, what had surprised him somewhat, Mr. Barnes, as well as some other person. He understood that a copy would arrive later in the evening. M. Briand, therefore, would see that public opinion in all countries created difficulties for the Government, in France and Great Britain just as much as in Germany.

M. Briand said that this was the position in France: they had to settle a budget, and they could not make it balance. Unless Germany produced some positive and definite proposal they were faced with ruin and bankruptcy. That was the situation. He must explain that he was not taking a merely pessimistic view, but was conforming to absolute realities in making this statement. Germany continued to discuss and to make promises, but never

- 4 H.M. Ambassador at Berlin. The despatch referred to has not been traced in Foreign Office archives.
 - 5 For these decisions, see No. 11, Appendix 1.
- ⁶ Mr. Asquith, leader of the Liberal party (until 1926) had been Prime Minister, 1906–16; Lord Robert Cecil was Chairman of the League of Nations Union; Mr. J. R. Clynes was Chairman of the Parliamentary Labour party; Mr. G. N. Barnes had been Minister without Portfolio in 1919 and had since devoted special attention to industrial questions arising out of the war. The communication has not been traced in Foreign Office archives.

came to the point. Public opinion in France asked if this was going on for ever, and insisted that the situation should be dealt with by the only possible means, namely, the exercise of pressure on Germany. That was the public opinion in France. The French Government had been trying to find some means of putting a pressure which would produce results without involving heavy military or financial burdens. It was as a result of this study that they proposed the occupation of the Ruhr. This would put the Allies in possession of what Germany required, namely, coal. They could then impose a tax and draw on the proceeds. Calculations had been made which would be communicated to the British Government, and which showed that such a tax on coal would produce about 2 milliards of gold marks in a year. Public opinion knew of this practical possibility, and, in view of the continual bad faith on the part of Germany, asked why pressure in this form should not be applied. It was very difficult to reply with a negative answer to public opinion, and almost impossible to go against it. He himself was trying to keep public opinion within reasonable limits, but it was very much disturbed. Take the question of disarmament, for example. French public opinion was very anxious in regard to this. It saw that sooner or later it would become a question of public safety. When the French public opinion saw such things happening as the recent funeral at Potsdam, where there had been processions of German officers, and eagles spread out, thousands of people singing the 'Wacht am Rhein,' showing that the spirit of revenge was still rife, public opinion was profoundly disquieted.7 The same effect was produced when, delay having followed delay, the Allies were incapable of making the Bavarian Government disarm. All this accumulation of bad faith and bad action on the part of Germany exasperated public opinion in France, which said that an end must be put to it. That was the position. And what about the position of the German Government? Public opinion demanded that they should do nothing, or at least do the minimum, and the German Government was consequently continually trying to gain time, making promises and doing nothing. Take, for example, the demand of the Reparation Commission for 12 milliards of gold marks. Even when the German Government were asked for 1 milliard of gold marks they gave absolutely nothing. When asked to transfer a milliard gold marks to the left bank of the Rhine they gave nothing: in fact, they gave an absolute refusal.8 In these

⁷ The German ex-Empress Augusta Victoria had died in exile at Doorn in the Netherlands on April 11. Her burial in the Antike Tempel at Potsdam on April 19 had been the occasion of German nationalist demonstrations.

⁸ The Reparation Commission had informed the German Government on Feb. 26 that, as the amount of German cessions and deliveries to be credited on account of the 20 milliard gold marks which Germany was required to pay by May 1, 1921, would not exceed 8 milliard gold marks at the most, there remained a deficit of at least 12 milliards to be met before May 1. This demand for the payment of 12 milliards had been repeated on March 15, together with a request that a first instalment of one milliard should be paid by March 23 'at the latest without fail'. On March 22, however, the German Government had replied maintaining its argument that its obligations had already been fulfilled. For the correspondence on this subject between the Reparation Commission and the German Government, see Reparation Commission Report (1920-22), pp. 16-21.

conditions, the present position was impossible. If the French Government could afford to wait, in view of its financial difficulties, they might do so, supposing they had something to hope for in the future; but all they got was vague words without any decision. In these circumstances, there was nothing for it but to take action. In reality, the treaty of peace, with all its defects, did provide the Allied Governments with the system which was now in operation, namely, the Reparation Commission, which furnished an opportunity for the Governments to stand out of the game. The Reparation Commission had a juridical position, and had its duties for fixing the debt and apportioning the methods and times of payments. By these means the Governments would be placed under the shelter of public opinion. He himself would be willing to accept this position, on the condition that when the Reparation Commission took a decision Germany executed it.

In regard to the offer by Germany to participate in the reconstruction of the devastated regions by means of direct assistance, or raw material, or labour, within a certain measure and subject to proper precautions being taken, the French Government did not reject it. At times the French Government itself had made a demand for assistance in this respect, to which Germany had never sent any reply. If Germany had some plan, with proper guarantees for its execution, for the reconstruction of the devastated regions, France was ready to study it, provided proper guarantees were included. In fact, France had never rejected any proposals of the kind. The French Government did say, however, that the German Government must execute three things: First, disarmament. It was necessary that the German Government should break the resistance of the Bavarian Government. The last incident, namely, the Communist rising, had been repressed quite easily by means of the police alone, which showed that Germany had no need of the arms, guns and machine guns which she had reserved for this purpose. The police had proved perfectly adequate to cope with the Communist disturbance. If Germany retained these arms and military formations, notwithstanding the demands of the Military Commission, it proved that she had some arrière-pensée. The French Government and probably the British Government also, knew of the threats, hints of revenge, &c., which were being uttered in Germany. French public opinion was much disquieted by them. He thought there was no disagreement here.

Secondly, the 12 milliards must be paid. It was absurd for Germany to say that she could not pay the sum demanded by the Reparation Commission. It could be found partly in cash and the surplus could be borrowed. The French Government must insist on a result in this respect. The Reparation Commission could deal with this question. Each Government was represented directly upon it by one member, although the Reparation Commission could not be said actually to represent the Governments. The

⁹ The reference is presumably to the violent Communist-inspired strike at the chemical factory at Leuna in March-April 1921. The police had been supported by artillery, but had no need to call on the infantry or cavalry; see H. J. Gordon, *The Reichswehr and the German Republic 1919-1926* (New Jersey, 1957), pp. 225-6.

commission, however, had all the means by which to measure what Germany had paid. By the 1st May the Allies must have secured realities.

MR. LLOYD GEORGE asked if the 12 milliards was to be paid by the 1st May.

M. Briand said what he meant was that Germany must pay 1 milliard of gold marks before the 1st May, and, as regards the remainder of the 12 milliards, must recognise her debt and take steps to discharge it, indicating how she intends to do it, by payments in cash or kind, or any other way.

MR. LLOYD GEORGE asked who would lend 12 milliards to Germany.

M. Briand said Germany was always talking of a loan.

MR. LLOYD GEORGE said 'only with Allied help,' but without this it was absurd to speak of a loan.

M. Briand asked if Mr. Lloyd George meant that Germany was to borrow in France money wherewith to pay France. He would only reply that France can borrow only for her own needs.

MR. LLOYD GEORGE agreed that the Allies must get to realities, but they must in truth be realities. It was no use to expect Germany, by means of a loan, to find £600,000,000 anywhere in the world. Where could she obtain it? He himself would be very sorry to have to obtain it for Great Britain. We might be able to raise it in our own country for payment in our own country, but not for payment outside. Neither could France do so. Supposing France had to pay her American debt, which he believed was somewhat smaller than ours. Even France, who was victorious, and Great Britain, who was victorious, could not do that. How could Germany raise a loan to pay this great sum outside her frontiers? It was useless to ask for impossibilities. He had to say to M. Briand that the present British Government would support France in all demands that were practicable. But if the French demands were of a nature which no one in the outside world would consider practicable, he was afraid they could not support them. So long as the French demands were of a practicable character the British Government would support them, in spite of Asquith, Clynes, Cecil, or anyone else. But if the French Government was demanding something outside realities, and wanted to pick a quarrel with Germany, then they could have no part in it.

M. Briand said that the French Government had no such ideas. They did not want to pick a quarrel with Germany, but to reach a settlement. The Reparation Commission had told Germany that out of the 20 milliards of gold marks due by the Treaty of Versailles by the 1st May they still owed 12 milliards. What did Germany reply? She did not say she could not pay at the moment or ask for further time, but simply said, 'We owe nothing.' She went further, and said that she had already paid more than 20 milliards of gold marks. This the French Government could not admit. They could not admit that out of the 12 milliards of gold marks Germany could not even pay 1 milliard. Germany did not deny that she had the means, and did not refuse to examine whether the payment could be made, whether by raw materials, by shares in industry, or by some other means. She simply said,

10 See n. 8 above.

'I do not pay, because I do not owe you anything.' That was what he protested against, and that was his point. For the rest, if Germany would come forward with really practical proposals for the reconstruction of the devastated regions which were not merely vague generalities, he would be prepared to examine them.

M. Berthelot, during the translation, interpolated at this point that the German note had reached the Reparation Commission on the previous evening and had been handed to the French Government to-day at noon. This was the procedure which had been arranged, and the copy which the British Government had received had been sent owing to a mistake. The arrangement was that the note was to pass through the Reparation Commission.

M. Briand said he did not know what the Reparation Commission would now do. Probably it would refer the question to the Governments. It seemed to him that the Reparation Commission was qualified by its juridical position under the treaty to deal with the matter.

To resume, the French Government demanded that on the question of the residue of the 20 milliards Germany should have to give a reply in good faith. Let her say that she could not pay now and must ask for time, or let her ask to be told what she owed and say she would do her best to pay. She must not be allowed simply to say, 'I do not pay, because I do not owe.'

MR. LLOYD GEORGE said that a third thing which Germany could say was that she claimed to have delivered the material and money required to liquidate the amount. If she did this, the treaty provided means for taking a decision, the appointed tribunal being, he thought, the Reparation Commission; but the commission could only decide after hearing what Germany had to say. He would give an instance which told against the British Government. The British Government claimed that the value of the German ships handed over to us was the value at which they had been sold, namely, their value this year after prices had fallen. The Germans claimed that their value ought to be the price at the moment they had been taken over. He himself would contend for the former valuation, but he had not the least objection to the Germans arguing their own claim before the proper tribunal. Probably there were other materials, such as coal, timber, &c., in regard to which the same consideration would arise. This was a very fair question for adjudication by the tribunal set up under the Treaty of Versailles.

M. Briand said this was exactly what had happened. The Reparation Commission had been seized of the question, had heard both sides of the case, and had read the notes from Germany, and, after taking all the evidence, had given its decision that 12 milliards remained to be paid; in fact, it had acted as a judicial tribunal.

MR. LLOYD GEORGE said he was not aware that the German Government had had the opportunity to present their case. He would like to be satisfied as to that.

M. BERTHELOT said that the Reparation Commission had adjudicated upon the case, and notified the amount that Germany had to pay, after hearing all the evidence. One milliard was to be paid by the 23rd March and the remainder by the 1st May. As Germany had refused to pay, the Reparation Commission had declared her in default, and sent a note to this effect to the Allied Governments.

MR. LLOYD GEORGE said that when the Allies had met in London¹¹ these steps had not been taken, and the Allies were technically in default.

M. Briand said that the Reparation Commission had acted according to its charter.

MR. LLOYD GEORGE said he would like to be satisfied. In London he had asked M. Delacroix¹² and others, and they had not been able to make out a case for default.

M. Briand said that the Reparation Commission had studied the question since then, and had done so in a very broad spirit, and had taken account of all relevant considerations.

MR. LLOYD GEORGE said he would like to be further informed on the question. He only recollected what had passed in London.

M. Briand said that it had all happened since the London Conference.

MR. LLOYD GEORGE asked exactly what the French Government proposed.

M. Briand said they desired that the necessary gesture should be made for the German Government to be forced to make a certain payment, without asking for the impossible. None of the Allied Governments was in a position to measure exactly what means of payment Germany had. They only knew that Germany had a very weak Government, which was worked upon almost entirely by outside forces, and had adopted a negative attitude. The French Government thought, therefore, that coercion should be applied from outside. Naturally they contemplated the measures which they themselves had envisaged, but they were ready to listen to any alternative proposals for coercion made by the Allies. At present they suggested coercion by the occupation of the Ruhr, which would enable taxes to be raised on German coal, which would bring in at least 2 milliards of gold marks per annum and would produce coal in conditions more favourable than applied at present in France or in England. If the French Government knew that Germany was making serious proposals with the intention to stick to them, and was giving decent guarantees of a certainty of payment, they would be all the more ready to discuss with them. This was the case, because the occupation of the Ruhr was a very heavy and grave matter for France. It involved mobilising 200,000 men, who had been relieved of their military service and would not be at all pleased at being called back to the colours. They would only return to military service because they felt it to be a necessity and because public opinion was so excited against Germany owing to the attitude of the German Government. This was the only means the French Government had discovered for achieving a result. If any other method was available, he himself and the whole of France would be enchanted.

Mr. Lloyd George asked how the 2 milliards was calculated.

¹¹ See Chapter II above.

¹² Belgian delegate to the Reparation Commission; see No. 29.

M. Briand said that there were several methods for calculating the result of the tax, but the 2 milliards resulted from a calculation based on a tax of 30 marks per ton, which could be levied without inflicting crushing damage on the industry.

MR. LLOYD GEORGE asked when it was proposed that the occupation of the Ruhr should take place.

M. Briand said that this would only take place in agreement with the Allies, but he thought it should take place as rapidly as possible. In that eventuality the French Government would have to mobilise one class, and all dispositions had been made for this. The question had been thoroughly studied, but only as a theoretical problem, and not for action until the Allies had been consulted.

MR. LLOYD GEORGE said that he had quite understood this.

M. Briand said that the French Government had only considered what measures they would have to take. After their studies they had come to the conclusion that it was an easy matter, and no harder than operations already successfully undertaken. He thought it would not be badly received even in the Ruhr, because the workers of the Ruhr, like the Allies themselves, felt that they were menaced to a great extent by the Military Party in Germany. They were afraid that their liberties would be confiscated and that they would return to a pre-war régime. Not only, therefore, did he think the occupation of the Ruhr would not be difficult, but that to some extent it would be welcomed. He thought, further, that it could be operated in collaboration with the local industries. These were principally in the hands of men of very strong nationalist views, who had contributed much to the formation of German opinion such as it was at present. Herr Stinnes and his group were buying newspapers all over the place, probably even in France and in Italy.¹³ It was not hard to guess what their object was. The German workers were very much disquieted by this situation, and felt that the moment had come for defending their liberties. Just as at Duisburg and Ruhrort,¹⁴ in spite of the provocation of the employers, the workers had refused to cause trouble, so he thought in the present instance the occupation would be effected very easily and would give good results. There was one other great effort which he thought would be very popular in Great Britain also, in spite of Mr. Asquith and Lord Robert Cecil, and that was a naval demonstration before Hamburg and Bremen.

MR. LLOYD GEORGE said that he had asked the British Admiralty for a report on the subject, which he had just received. The British Admiralty

¹³ Herr Stinnes, a leading German industrialist, and his group had been reported by *The Times* in Feb. 1921 to have purchased three newspapers in Vienna as well as the Süddeutsche Zeitung of Stuttgart, the leading conservative organ in south-west Germany and the well-known satirical German weekly Kladderadatsch. On April 30 The Times was also to report the group's acquisition of the Deutsche Allgemeine Zeitung. See The Times, Feb. 1 (p. 10), Feb. 12 (p. 9), Feb. 15 (p. 10) and April 30 (p. 10).

These towns, together with Düsseldorf, had been occupied by the Allies on March 8 in execution of the military sanctions announced by Mr. Lloyd George on March 3; see Nos. 30 (p. 257), 31 (p. 265) and 47 (p. 335).

said that this operation could not be carried out without a military occupation of the forts, otherwise the retreat of the British ships would be cut off. It had to be remembered that Hamburg and Bremen were a long way up rivers. He asked if M. Briand had with him Marshal Foch's report on the occupation of the Ruhr.

M. BRIAND said that it was not completely written.

M. BERTHELOT said it would be ready in two days.

MR. LLOYD GEORGE asked what number of troops was required.

M. BRIAND said 'seven divisions.'

MR. LLOYD GEORGE said that was the estimate made at Spa. 15 He asked what it would cost in money.

M. Briand said it had been calculated that the cost of the whole occupation would be paid for on the spot by means of local taxation. For the first month, which would be the heaviest owing to the cost of transport, the estimate was for 90,000,000 to 100,000,000 fr. at the most. This included provision for feeding the whole population of the Ruhr in the event of Germany cutting off supplies, and dispositions for this purpose were contemplated.

MR. LLOYD GEORGE asked what would be the cost supposing it was necessary to occupy the Ruhr permanently and to maintain seven divisions there. This would mean calling up troops and keeping them in the Ruhr, and would involve an increase of the French army.

M. Briand said that the reason why France had to mobilise new classes was that at the moment one class had been dismissed, while the new class which was called up in May had not yet been trained. Consequently, to fill their place they had to contemplate calling up a new class. In July, when the troops called up in May were trained, the class could be dismissed. It was really only a question of bridging the gap until July. After July no additional troops would be required. If Germany was making more proposals now, it showed that she was upset, and the reason for this was that Herr Stinnes and his friends were menaced. If Mr. Lloyd George would like to send over some technical man to examine the whole project, everything was ready for him in Paris. From the point of view of technical, industrial, economic, financial and military aspects everything was worked out. If someone deputed by the British Government would come to Paris and get in touch with the French Commission, he could have all the documents.

MR. LLOYD GEORGE said that he thought a discussion on policy was required first. He had no doubt that the project was feasible. Before it was finally adopted it would be necessary to have a formal conference, including the Italians, Japanese and Belgians, otherwise the alliance would be broken.

M. BRIAND agreed.

Mr. LLOYD GEORGE asked what was the Belgian view.

M. Briand said he thought they intended to take part in the operation.

Mr. LLOYD GEORGE said they had opposed it at Spa. 16

M. Briand said they had now come round to the proposal. They shared with France a frontier with Germany and felt the menace of the future. The

15 See Vol. VIII, No. 71 (pp. 599-600). 16 See ibid., pp. 605, 623, and 627.

menace was not immediate, but in the future it might involve formidable armies in order to ensure security.

MR. LLOYD GEORGE asked if there were any canals in the Ruhr Valley.

M. Briand said that it was completely organised with railways, canals for communication with the Rhine, &c. In Belgium, M. Vandervelde,¹⁷ who aspired to play the part of an international figure and wanted one leg in Belgium and as many legs as possible in other countries, had declared against occupation. However, forty-five Socialists had announced that they would not side with M. Vandervelde in this and would separate from the majority.

M. Berthelot said that public opinion in Parliament was favourable to the project, but there were fluctuations within the Belgian Ministry. M. Jaspar and M. Theunis¹⁸ were in favour of the occupation.

MR. LLOYD GEORGE said he understood that M. Vandervelde and the Chief of the Staff were against it.

M. Briand said that in regard to naval preoccupations, as to the forts guarding Hamburg and Bremen, the French Government would be willing to place a division at the disposal of the British fleet.

MR. LLOYD GEORGE said that he had only received the Admiralty report on the previous evening and had only been able to read it to-day. He must submit it to military opinion. If they considered that one division would suffice he would be willing to consider this.

M. Briand said that the division could be placed under British command.

MR. LLOYD GEORGE reminded M. Briand that the British Government at present had internal troubles to deal with.¹⁹ They had had to raise a new defence force of 75,000 men to guard mines, &c. They had actually got these men, but for the present while this trouble lasted they could not spare a single man from Great Britain.

M. Briand said that the French Government would put under British command as many men as they required.

MR. LLOYD GEORGE said he would put this to the Admiralty, but he thought it would be necessary to turn the Germans out of the forts.

M. Briand thought this would not be very difficult.

(The conference adjourned at 5.15 p.m.)

Lympne, April 23, 1921.

17 Belgian Minister of Justice.

18 Belgian Ministers for Foreign Affairs and Finance, respectively.

19 A reference to the coalminers' strike which had begun at midnight on March 31.

No. 71

I.C.P. 1901] British Secretary's Notes of a Meeting held at Belcaire, Lympne, near Hythe, on Sunday, April 24, 1921, at 11 a.m.

PRESENT: Great Britain: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister; Sir M. Hankey, Mr. Kerr, Mr. Vansittart, Sir B. Blackett.

France: M. Briand, President of the Council; M. Berthelot, Secretary-

General of the Foreign Office. INTERPRETER: M. Camerlynck.

Reparations by Germany

MR. LLOYD GEORGE asked whether M. Briand should first expound his plan, or whether he himself should sign [begin].¹

M. Briand said that as Mr. Lloyd George's plan was ready it would be best to begin with the British draft as a matter of practical expediency. His own document was still being typewritten.

MR. LLOYD GEORGE said that before he handed in his plan he would like to make a few observations. He would begin from the point of view of public opinion, as M. Briand had done. There were several public opinions to deal with.

First there was French public opinion, which was naturally very anxious. It saw the budget difficulties of France. The devastated regions were still unrepaired. This vision was constantly before its eyes. It was very fearful as to what Germany might do, and it could never forget that it had suffered two invasions by Germany within living memory. It was very sensible of the fact of a German population of 60,000,000 close by. Hence, French public opinion was very anxious to adopt measures of strong action. He fully realised M. Briand's difficulties, and had always done so. He had himself gone a long way in London in an endeavour to meet M. Briand's difficulties. That was all he had to say on French public opinion.

British public opinion was naturally not so keen on strong measures. Germany had ceased to be formidable for Great Britain: the German navy had been destroyed and her commerce was gone. Great Britain had not a devastated region before its eyes: its real desire was to get on with business. British public opinion did not overlook that there were nearly 1 } million unemployed. Mr. Asquith, Lord Robert Cecil and others, with a powerful press behind them, were constantly telling the British public that the main reason of unemployment was that the peace of the world was being disturbed by the French desire for occupation and by the demand for reparation. The coal situation did not help matters. It was unfortunate that shortly after the Spa Agreement, when the extent of the German coal deliveries had been settled,2 the British export trade had collapsed. It was no use to say that the collapse had nothing to do with German coal, because it was being widely said that the Spa arrangement was responsible. Hence our public opinion had to be very carefully watched and nursed. The French press was entirely wrong when it said that the British public wanted to fly at the throat of Germany. This was not the case. He himself felt sure he could carry the House of Commons with him in any action the Government might take, but not enthusiastically. Before passing on to other public opinions he would like to have the above interpreted.

(M. Camerlynck then interpreted the above.)

¹ Wording in the typescript text.

² The Spa protocol respecting coal is printed as document No. 194 in Cmd. 1325 of 1921.

Mr. Lloyd George, continuing, said that American public opinion at any moment might become formidable, and he thought that if the Allies were at any time to overstep the mark, American opinion might become very restive. It would be humiliation to submit to it, and disastrous to refuse. The position would be the same as that into which President Wilson had constantly forced the Allies in regard to Fiume.³ Fiume was not worth quarrelling over, so the Allies had given in. The same situation might arise over Germany, and it was necessary to watch America very closely. He himself had observed that America was turning her eyes constantly in the direction of Europe. President Harding and Mr. Hughes, the Secretary of State, were closely watching France, Great Britain and Germany. At present they were friendly, but not excessively so. If, however, the Allies went too far they might become formidable.

He would now come to Italian public opinion. Italian public opinion had reached a point which it was not very easy to distinguish from pro-German. At any rate, their attitude to Germany was almost the same as it had been before the war. Italy regarded France with a suspicion which was mingled with fear, and she regarded Great Britain with less friendliness than she had done before the war. Italy was turning her eyes to Germany, and that was a fact which could not be ruled out altogether. Signor Giolitti was, of course, admittedly very friendly to Germany, and he had his own representatives in every capital, and had removed some of the strongest friends of the Allies who had formerly represented Italy in European capitals.⁴

He would now come to German public opinion. That was what the Allies had to deal with in making their proposals. German opinion was recovering slightly from the complete paralysis which had fallen upon it immediately after the war. There was now a disposition to regard the Treaty of Versailles as something which was not really binding on Germany, because it had been extorted at a moment of panic and had appended to it the signature of persons who were not in the least representative of the German life and the German people. They therefore claimed that it was a document without authority. That was a real danger which the Allies could not accept. They had now, almost for the first time, to force the Treaty of Versailles on a conscious nation. Up to now it was a nation that had been stunned and had been almost unconscious, and which said that what it had done at that time did not count. Now, however, the Allies had to force a conscious nation, which had recovered from its unconsciousness, to fulfil the Treaty of Versailles. In that Great Britain was entirely with France. At the present moment there was no Government in Germany strong enough to carry out the Treaty of Versailles without a threat of force. He had reluctantly come to that conclusion. The matter had been discussed in the Cabinet and he had submitted

³ See Vol. I. Chap. I passim, Vol. VII, No. 9, minute 2 and Appendix 3, No. 12, minute 3, and Cmd. 586 of 1920, Correspondence relating to the Adriatic Question.

⁴ Signor Giolitti, the Italian Prime Minister, had been opposed to Italy's entry into the war in 1915; cf. Vol. XII, No. 173.

this opinion to his colleagues, who had accepted it, though reluctantly. Whatever Dr. Simons or Herr Fehrenbach⁵ wanted to do, they were unable to do it without telling the German public opinion that if it was not done some disaster would befall Germany. Hence, British public opinion found itself in agreement with France on this point.

Now he would come to the actual proposals. What British public opinion was concerned about was naturally the steps to be taken, and that those steps were adequate without being excessive. What it was specially interested in was the objective, as to exactly what was to be forced from Germany. It was essential that there should be a complete understanding between France and Great Britain on this point, because France and Great Britain were practically the only countries left to enforce the Treaty of Versailles. Italy could not be counted on, and America was definitely outside. Belgium did not count for much, and consequently France and Great Britain were the only two countries left. France must satisfy Great Britain in regard to the purpose in view, and that there was no intention to exercise force in order to bully or trample on Germany or to kick her when she was down. Force must only be used for some purpose which British public opinion would regard as reasonable, just and practicable, and which would commend itself to reasonable men as fair and practicable, and practicable without offending a great people or keeping it in servitude for forty or fifty years. That was the first point on which there must be a definite understanding. If agreement could be reached on this, Great Britain would stand with France within the limits of what was practicable in view of present exigencies.

He apologised for taking up so much of M. Briand's time with this, but he felt it essential that he should know exactly what was the attitude of British public opinion in the matter.

M. Briand said that he had been quite content to listen to Mr. Lloyd George's explanation. So far from complaining of his taking up his time, he was at bottom entirely in agreement with him. Mr. Lloyd George had sketched with much vigour the position of public opinion in the various countries. He quite agreed with him that the diversity and even the extent of the opposition of the several public opinions constituted one of the greatest difficulties of the present time. If he and Mr. Lloyd George did not reckon with it they were not worthy to lead the Governments at the head of which they were. Hence, he accepted this point of view absolutely as the point of departure for the discussion. French public opinion had been correctly stated by Mr. Lloyd George, with the slight nuance that French public opinion felt that since the treaty had been in force it had granted a very long credit of patience to Germany: the more so since France had constantly in view the devastated regions, which resulted in the Government being subjected to very strong pressure from a people who had been ill-treated and oppressed and had lived in great misery and desired early justice. In spite of that, French public opinion had been very patient. Notwithstanding their difficulties, the French people had found the 40 or 50 milliards which

Respectively German Minister for Foreign Affairs and German Chancellor.
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were indispensable in order to meet the most pressing necessitites [sic] of the devastated regions. Having made this remarkable effort themselves, they could not understand how it was that Germany was not forced to make a corresponding effort. They were first astonished at the shilly-shallying of Germany, and after that they began to doubt Germany's good faith, more particularly when they saw that Germany, after assuming engagements from a moral point of view, refused to give effect to them, put in question the validity of the Treaty of Versailles and refused execution on nearly every point. Then French public opinion had begun to get exasperated, and an element of anxiety and restlessness had crept in, as Mr. Lloyd George had pointed out. He would ask Mr. Lloyd George to reflect also on the preoccupations of the French people in regard to their future security, which was, indeed, a vital matter. He agreed with Mr. Lloyd George that Germany was not quite the same as she had been at the armistice. She was beginning to emerge from an anæsthesia. She felt that even if she had not much force now she might have it later on, and a kind of arrogance had arisen in the mentality of Germany which was causing anxiety in France. French public opinion said that at the present time we had the necessary force to impose our will. If it was not used now she would have to reduce her military forces and she might find herself in a position in which she might not be able to produce the necessary results. As the Bavarian Premier had pointed out, she might have to deal with a country which disposed of powerful formations and armaments. One day Germany might say 'we do not owe you anything: you can come and fetch your money,' and might tear up the Treaty of Versailles. At that time the task of compelling Germany to fulfil her engagements might be very much harder than it would be to-day. France did not want that situation to occur. In such grave conditions France asked herself whether the time had not come for action. That was the state of opinion in France.

He did not particularly want to discuss Italian public opinion. He agreed that it was rather egotistical, susceptible and a little jealous. As Italy herself could not take a very active part in the solution of the great conflict, she bore a sort of grudge, because her strength did not correspond to her ambitions. It was best to leave her in this state of semi-sulkiness, which was not of great importance.

The state of opinion in America was a much more serious matter, which the Allies must keep before their eyes. They must know what America was thinking and what she might plan. He ought to say that the French Government had received from Washington very clear indications that America was far from disapproving of, or blaming the Allies for, the employment of force as practised after the London Conference.⁶ In this respect America was with the Allies. The Allies were now getting ready, if Germany refused to fulfil her obligations before the 1st May, to take new measures of coercion in order to impose on Germany respect for her signature. M. Viviani⁷ had

⁶ See, e.g., F.R.U.S., 1921, vol. ii, p. 37.

⁷ M. Viviani, a former French President of the Council (1914-15), was at this time Chair-

been in America. His sole mission had been to greet the new President, and, as a matter of courtesy and of gratitude, to salute President Wilson on leaving the White House, because it was during his Presidency that America had come to the assistance of France. He had no mission to open conversations or to make any new proposals. It was the Americans who had dragged him into conversations which he could not refuse to take part in. It had emerged that America was with the Allies in their use of force to make Germany respect her engagements. The great danger of the future, not only for French policy, but also for world policy, would arise if American public opinion was not carefully watched. The Allies must be careful that there were no signs of hesitation or weakness between themselves. If such signs were observed by America, and if France and Great Britain showed themselves unable to come out of the present impasse very quickly, they would soon see that America wanted to play a preponderant rôle in Europe, and to adopt the position of an arbiter. Up to now America had not adopted this rôle, and she had refused the German proposals for her to act as an umpire or arbitrator.8 Hence it was of the greatest importance that Great Britain and France should watch America very closely, and succeed in settling by themselves the problems which concerned them more than they concerned America. In that event he was convinced that their relations with America would be close and amicable, and that America would play her own part within the limits of reasonable collaboration.

Now he would come to British public opinion. He recognised that the position of Mr. Lloyd George was somewhat delicate, but, on the whole, he thought less grave than his own. The British public was, no doubt, anxious from a material and financial point of view, but their situation was not so bad as that of France, because Great Britain had not been ravaged as France had been. The economic unsettlement, which in Great Britain, as in all countries, was really due to general causes, and was a consequence of the extraordinary war from which we had just emerged, was attributed by the adversaries of the Cabinet to the fact that peace had not yet been completed with Germany, and that forcible measures were being adopted. They attributed the increase of unemployment to such causes. He himself, however, would be very much astonished if these sentiments, which were of a purely partisan and polemical character, corresponded to the fundamental views of a great people like the British. Supposing an election were to take place and Mr. Lloyd George were to defend his point of view, while on the other side was Lord Robert Cecil, even with his flanks extended by Mr. Asquith, Mr. Clynes and Mr. Barnes, and elements of a secondary order, he felt certain that the result would not be doubtful. Nevertheless, he still realised that Mr. Lloyd George's pre-occupations must be taken into due account. If the French had brought a plan which had an unsound basis, and was conceived on sentiments of hatred and grudge, he agreed that it would

man of the League of Nations Commission on the Reduction of Armaments. For his mission to the United States, see ibid., vol. i, pp. 962-7.

⁸ See ibid., vol. ii, pp. 44-45.

be dishonest, and the British Government would only have one thing to do, and that was to repulse it. If he were in Mr. Lloyd George's place he would have no hesitation in doing so. If France wanted to crush and humiliate Germany and to render her powerless, he agreed it would be a very bad conception. If that was the French view, he himself would not be representing France at this meeting. No, Sir, that was not the French point of view. Their real opinion was that the German Government was very feeble, and had not the force to impose by effectual action what it ought to do to carry out its responsibilities. Even if it had a mind to do so it was so much hemmed in by external forces, outside the Government, but, nevertheless, very powerful, that it was impotent. When the Germans had thought that the occupation of Duisburg and Ruhrort was the last action that the Allies would take, they had persisted in their opposition. The Germans had said, somewhat cynically, that it was not of any importance, and that the Allies would soon get tired of it. It was only when they felt that serious steps were contemplated, and that the question had become a ticklish one, and more extended sanctions had been formulated, that they had shown any disposition to find other proposals. First they had sought for intervention in Switzerland, Czechoslovakia, then the Vatican, and then afterwards the United States of America,9 in order to avoid definite action. That, however, had exasperated German public opinion, and it was only then that they had decided to address themselves to the Reparation Commission, which was the legal organisation set up by the Treaty of Versailles. It was only then that they had made fresh proposals. It was necessary for France and Great Britain to put themselves in the position of the German Government after the Conference of London in order to appreciate exactly what was the attitude of the German Government. They had now made proposals of a more extended character in regard to reparations, particularly in the last document, which contemplated the restoration of the devastated regions.¹⁰ At bottom, however, these proposals were the same as before, and consisted in an offer of material and manufactures, and, to a certain extent, of labour. France had never rejected any such proposal. They had, in the past, even asked for such assistance. The Germans, however, had never granted it. On specific points France had asked for assistance in the form of materials, but the answer had come six months later, and had generally consisted in a refusal. For example, France had wanted timber from the German forests, which remained intact, while those of France had been bled white. It would have been easy, by the exploitation of forests close to the French frontier, to supply the timber needed for the initial work in the devastated regions. The Germans, however, had refused. France had also asked for furniture. The request had been left for eight months without an answer. It was only when the Germans saw that the Allies were in earnest that they began to make an offer. Their proposals, however, contained nothing really new. France was ready to consider them, and did not refuse to accept payments of this kind. It was

⁹ Cf. ibid., pp. 36-45, and No. 72 below, n. 4.

¹⁰ See No. 70, p. 453.

not a question of 12 milliards being paid in gold or even in marks, and France realised that in any event payments must be largely in kind. When France proposed an operation in the Ruhr they proposed what was a complement to the action already taken as the result of the London Conference. They proposed to encircle the coal district, and to occupy the most important industrial regions in that part of Germany. Why? For two sets of reasons, one practical and one moral. The practical reason was that the occupation could be carried out with a minimum of effort in men and money, and with a minimum of difficulty, owing to the character of the population of the Ruhr. Hence they hoped to obtain payment of important sums which would be credited to the Allies for distribution under the arrangement for percentage and priority agreed at Spa, which, of course, it was fully intended to respect. On the moral side the reason was to be found in the weakness of the German Government. Outside of that Government there were forces at work such as had been exemplified by the recent funeral at Potsdam, 11 and which gave the impression that the German Government itself was a mere camouflage behind which were those who possessed the real strength and the real wealth of Germany. The present centres of these forces were in the Ruhr. It was here that Herr Hugo Stinnes had his offices and his principal interests. If these were seized he would have to unite his forces with the Government, and oblige them to impose practical solutions and to override German public opinion. These were the reasons why the French proposals for the occupation of the Ruhr had been advanced. There was no question of bullying, and no kind of arrière-pensée. He himself had an instinctive horror of all these operations; he much preferred debate, and to obtain realities by normal means, rather than by violence, and he ought to say that his views were shared by the vast majority of Frenchmen. French public opinion, however, had no more confidence in Germany. They were convinced that Germany was trying to gain time by means of vague promises and hoping to extend the debate over six months or a year. They believed that Germany hoped that, as time went on, the alliance would gradually dissolve, and France would become weaker and weaker and more exasperated. The German press openly said that by gaining time Germany would gain liberation. That was what French public opinion could not accept. Hence there was a strong feeling that in regard to any question in the world France and Great Britain must not drift apart from one another. There was a very clear impression in France that Great Britain and France must stick together. That was his own impression and that of the vast majority of the French people.

It was with this in view that France had studied the question, and was putting forward a project which had been examined and studied most carefully by technical and military experts. The French Government was convinced that the Allies must now achieve tangible realities, and that was the basis of their proposal.

MR. LLOYD GEORGE said that now that M. Briand and he himself had put fully the point of view of their respective countries, he would come to the

11 See No. 70, n. 7.

actual proposals. He would now hand in the document, which had been prepared under his instructions [Appendix 1], and would submit it to M. Briand and M. Berthelot. Meanwhile, he himself hoped to examine M. Berthelot's document [Appendix 2]. (The two documents are attached in the appendices.)

(The Conference adjourned at 1.15 p.m.)

Appendix 1 to No. 71 Draft for Consideration

I

It is proposed that the Allies should present a note to the German Government requiring Germany to undertake the following obligations by in view of her default under the Treaty of Versailles:—

- (a) Germany accepts the Paris proposals as defining the present value as at the 1st May, 1921, of her outstanding liabilities under the Treaty of Versailles, including reparation, the cost of the armies of occupation, and the Belgian debt so far as not already satisfied out of what she has paid on account of the 20 milliards of gold marks due on or before the 1st May, 1921. She further agrees that the annuities for the first five years shall be those fixed at Paris.
- (b) Germany undertakes the following method of payment of the aforementioned obligations:—
 - (i) To supply the raw material and manufactured articles required for the reconstruction of the devastated areas, as proposed in their note of the 22nd April,¹² and if necessary to supply and pay German labour and contractors to do the work of reconstruction.
 - (ii) To agree that the Allied Governments having reparation claims against her may require their nationals to pay 50 per cent. of the value of all imports from Germany to their own Treasuries, and Germany will pay promptly to her own nationals the value in marks of the Allied Treasury receipts.
 - (iii) To continue coal deliveries in accordance with Annex 5 to Part VIII of the treaty and deliveries under other annexes to Part VIII in so far as they are not already completed.

Questions arising out of the foregoing, and particularly as to whether the yield under (b) above are [sic] more or less than the Paris proposals, shall be referred for adjudication to the Reparation Commission, which shall retain the powers and functions conferred upon it by the Treaty of Versailles. If the yield during any one of the first five years is less than the annuity due in that year, Germany undertakes to pay the deficit as the Reparation Commission may approve.

(N.B.—What is to be done in the event of a surplus?)

- (c) Germany undertakes to execute without delay her obligations in regard to the trial of war criminals as defined by the Allied notes of the 13th February and the 7th May, 1920.¹³
- ¹² See No. 70, n. 2. ¹³ Printed as Nos. 40 and 124 in Cmd. 1325 of 1921.

- (d) Germany undertakes to execute by the whole of the demands for the completion of the military disarmament of Germany under the treaty as set forth in the Allied note of the 29th January, 1921.¹⁴
- (N.B.—The British Government will study the new proposal of the French Government for the occupation of Hamburg and Bremen by the British fleet with the collaboration of French troops.)¹⁵
- (e) Germany undertakes to carry out her obligations hitherto unexecuted under articles 321, 322 and 327 of the Treaty of Versailles.

H

In the event of the German Government not accepting these demands by the Allies will proceed to the immediate occupation of the Ruhr Valley, and will take control of the whole coal output therefrom for disposal in such manner as they may think fit until such time as these demands are accepted.

It is clearly to be understood that the military occupation of the Ruhr (and perhaps Hamburg and Bremen) will not lead to the dismemberment of Germany, and will cease as soon as Germany has complied with the above demands.

Lympne, April 24, 1921.

14 See No. 12, n. 2. 15 See No. 70, p. 460.

APPENDIX 2 TO No. 71

I.—Occupation of the Ruhr: Outline of French Proposals prepared by M. Berthelot

The object of the occupation of the Ruhr is to make Germany pay, i.e., to obtain not new paper, but (1) an immediate payment of importance, and (2) the necessary guarantees for eventual effective payments.

(a) Occupation

Military concentration (ten days), mobilisation of one class. Execution of the operation (three days) with seven divisions. The occupation to be made with Essen as its centre. The mines and factories will be provided with controllers capable of becoming directors.

The feeding of the population has been carefully prepared.

(b) Coal Production

The production amounts to 7½ million tons (1 million consumed by the German mines in the Ruhr, 2 millions sent to the Allies, 2 millions consumed by the Ruhr factories, 2½ millions exported to unoccupied Germany and to neutrals).

This order of deliveries will continue to be observed.

(c) Means of Payment

- 1. Tax on coal consumed in the Ruhr or despatched to the left bank to be collected by the Coal Syndicate under Allied control and paid to the reparation account: 10 gold marks per ton.
 - 2. Tax on coal despatched into unoccupied Germany: 20 gold marks per ton.
 - 3. Coal delivered to the Allies will be free from the tax.



4. The customs posts will only allow coal exports accompanied by a *laisser-passer* from the Allied representative on the Coal Syndicate indicating that the tax has been paid.

(d) General Exports from the Ruhr

- 1. All goods leaving the Ruhr will be accompanied by an Allied certificate indicating that the total price thereof has been paid to a bank under Allied control.
- 2. Fifty per cent. of the money thus collected will be paid to the Reparation Commission. The remainder will be paid to the Allied Commission of the Ruhr to pay for imports.

(e) Customs Régime

The customs cordon surrounding the Ruhr on the German side will collect upon entry the same tariff as in the Rhineland, i.e., 25 per cent. of the present German tariff payable in gold.

Imports from the Rhineland into the Ruhr will only pay the actual Rhineland to Germany export tariff, i.e., the present German tariff in paper marks.

Ultimate exports from the Ruhr into Germany would pay the total German tariff in foreign bills paid to the reparation account.

The Ruhr factories will be devoted to the utmost possible extent to the production of raw materials and materials for the devastated regions (in particular, rails).

II.—General Procedure for Reparations

Means of Payment

- 1. The German customs to be collected for the profit of the *Entente* and to be controlled by the Allies. Germany to collect her customs duties in gold, as is the practice with many countries. Her customs tariff might well produce 1 milliard gold marks a year.
- 2. An Allied commission to be established at Essen with control of the coal exports passing through the Ruhr Valley stations.

On every ton of coal produced a payment of 40 gold marks to be made to the Allies by the Coal Commission. This is not exactly a tax on coal, but it is intended to compel Germany to pay according as a source of riches is created, of which she will be deprived if she does not acquit herself of her undertakings. This payment would represent 3 to 4 milliards of gold marks a year; to pay it Germany must herself raise the corresponding bills.

The same payment will be demanded on all coal imported into Germany and on the production of the other German mines. A payment of 8 gold marks a ton will be levied on lignite.

Control Office for Foreign Securities

A general export and import office (which existed in Germany during the war) will be set up. Export licences will be delivered against the delivery of the whole of the corresponding foreign bills. A corresponding payment in paper marks will be made by the German Government to the German exporters.

Imports into Germany will also be dependent upon licences, and the office will deliver to the importers the necessary foreign bills in payment.

A policy of restriction must be followed in Germany in order that the bank of

the office may possess an excess of foreign bills, 25 per cent. of the whole of the bills (?) produced from imports being seized by the Allied Commission of Control. This levy will raise some 2 to 4 milliards of gold marks a year. It is the application of Mr. Lloyd George's system.

III.—Transition Period

A transition period must be expected, for during the first years Germany will not dispose of a sufficient number of foreign bills to pay at once the coal and customs levy and the levy on the bills of the import and export office.

It is possible that Germany will have to issue a loan each year on foreign markets, and one of the guarantees specified above—for example, the customs under Allied control—might be taken.

It will be necessary first to arrange the question of the 12 milliards of gold marks which Germany owes, and in respect of which the Reparation Commission has declared her default. In respect of this payment, Germany must immediately pay the whole of the Reichsbank gold (1,290 millions of marks, i.e., 1 per cent. of the German fiduciary circulation). The 'convention fiduciaire,' being so weak, has no further importance.¹⁶

In respect of the remaining 11 milliards, the Allies must accept for 7 milliards a 30 per cent. share in German business in the form of ordinary shares (by reducing the capital by 30 per cent. and creating new shares corresponding to this reduction which will be paid to the Allies).

Germany will alleviate her financial situation by a simultaneous reduction of her internal loan, Treasury bonds and paper marks, and there will thus be effected a real levy on the fortune of Germany indispensable if she is to meet her obligations.

The remainder of the 11 milliards will be obtained by the internal requisition of the shares possessed by German nationals abroad and of the foreign securities still held in Germany. This amounts to some 4 milliards of marks. The German financial system is sufficiently scrupulous to enable Germany to know where these shares are.

IV.—Materials for the Devastated Regions

Finally, the supply of materials for the reconstruction of the devastated regions will be deducted from the annuities to be paid by Germany. The French Government has studied the exact organisations [sic] of this matter.

V.—Disarmament

It is, of course, understood that the complete and entire disarmament of Germany will be carried out under the control of the Allies.

¹⁶ An earlier draft here read: 'As the covering of bills by gold has become so slight, there is no possible reason for not doing away with it altogether.'

No. 72

I.C.P. 190K] British Secretary's Notes of a Meeting held at Belcaire, Lympne, near Hythe, on Sunday, April 24, 1921, at 3.15 p.m.

PRESENT: Great Britain: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister; Sir M. Hankey, Mr. Kerr, Mr. Vansittart, Sir B. Blackett.

France: M. Briand, President of the Council; M. Berthelot, Secretary-General of the Foreign Office.

INTERPRETER: M. Camerlynck.

Reparations by Germany

MR. LLOYD GEORGE said he did not know whether it was fair to ask M. Briand so soon to say what he thought of the British memorandum (see Appendix 1 in I.C.P. 190 J).¹

M. Briand said that he had studied the matter as well as he could in the time available. Leaving aside a few points upon which he must ask for further information, he would have to set forth the grave objections he felt in principle to these proposals. The draft modified fundamentally the position of the Allies towards Germany. This position was that the Allies had made proposals and had given Germany a certain period of time within which to study them, and to say whether they accepted them or rejected them. The Germans had then come to London, and had, in fact, rejected them. Then the Allies gave them an ultimatum based on certain sanctions. These sanctions were not [sic] carried out. The position of the Allies was that they were waiting for the German Government to send a reply and to make proposals. This the Germans had not done. It was true they had just begun to make certain proposals in regard to reparation and had made certain offers of assistance, besides announcing deliberations of a financial character. Nevertheless, up to now the expected note had not been sent by Germany. If the Allies were now to begin to make a direct proposal to Germany, that would reverse the position. Instead of being plaintiffs, they would become defendants in the case. They would be putting Germany in a position in which to ask for further delays and fresh discussions, and [? which] would probably result in proposals being made which were not very different from those which the Allies had already received which had occasioned the objections with which Mr. Lloyd George was familiar. Hence, to adopt fresh proposals would be for him to put himself in an impossible position towards his own Government and Parliament.

The first sentence of article 1 (a) of the British draft, which M. Briand then read, appeared to mean that Germany must accept the Paris proposals as defining the present value as at the 1st May, 1921. If he rightly understood, this meant that the Paris figures are taken as a basis to value the present German debt, that is, by capitalising it. He thought he was not mistaken in this. The difficulty, however, was to find such a basis, since the Paris Agreement contemplated two forms of payment with fixed annuities which could easily be calculated plus a variable annuity based on the value of German exports, that is to say, the 12 per cent., the total of which could not be fixed now. Germany was also to agree under article 1 (a) that the annuities for the first five years should be those fixed at Paris. The Paris Agreement, however, provided not only for five, but for forty-two years. The Germans had

¹ i.e. No. 71, Appendix 1.

asked at the end of the London Conference if they could engage themselves as regards the first five annuities only. The Allies had declined this.2 If a proposal were now made as in article 1 (a), it would look as though the Allies had accepted the Germans' position and were making a similar proposal. In addition, he noticed in article $\tau(b)$ of the British draft that Germany was to agree to some method of fulfilling her obligations by supplying raw material and manufactured articles for the reconstruction of the devastated regions. To this he saw no objection, provided proper guarantees and safeguards were inserted and all precautions taken. As regards article (b) (ii), he did not see how the 50 per cent. charge on the value of imports into Allied countries from Germany was to be combined with the 12 per cent. provided for at Paris. That was something quite different. Apart from these detailed criticisms, however, his fundamental objection was that these proposals would wholly change the position. The Allies had made proposals which had been refused; they had sent the ultimatum and were now awaiting the German reply. It was for Germany now to make some proposal. We could not make proposals to them without changing the position and without weakening our position and giving them an opportunity to escape from their obligations and to ask for further time. This was the main objection he permitted himself to submit to Mr. Lloyd George. He agreed with the spirit of the paragraph inserted at the end of the document, which provided against any extension of the time or the character of the occupation. In no case must it lead to the dismemberment of Germany. That paragraph was quite in accord with the views of the French Government. Any such extension was not only outside the views of the French Government, but of the immense majority of the population. As soon as Germany began to fulfil her obligations, the occupation should terminate. There might possibly be some people who had other ideas, but the vast majority of the French people were opposed to any permanent occupation. As regards disarmament, France demanded that the Germans, as the members of the Inter-Allied Military Commission had asked,3 should carry out their obligations. This should not be difficult for her. Let her show that she intended to do it and so make a beginning.

MR. LLOYD GEORGE said he thought that M. Briand had misconceived the first condition. It was not proposed to make any change in the Paris Agreement, or any capitalisation. He agreed that one of the advantages of the Paris Agreement was that the conditions of payment were related to the prosperity of Germany. There was no proposal to depart from that. The Paris terms had been put as the basis of the agreement, but if it was found more convenient to reduce the annuity and increase the percentage, or vice versa, it was thought that opportunity should be given for this. For example, if it was preferred to have a smaller annuity and 25 per cent. of the exports of Germany, there was no reason why such a proposal should be rejected. It might give the Allies more than the original Paris Agreement. There was no proposal, however, to withdraw from the basis of the Paris terms. All

² See No. 31; for the German proposals see No. 27 and Appendix 3 to that document.

³ i.e. in their Report of Jan. 25; see No. 11, Appendix 2.

that the memorandum was intended to provide for was a possible alteration between the relation of the percentage and the annuity.

M. Briand said that that was one of the points remaining to be examined by experts. His main point, however, was this. The British memorandum contemplated that in the present state of affairs the Allies should make a new proposal to Germany. This he would find impossible to defend in view of our position vis-à-vis the Germans. The Reparation Commission had examined at great length the contentions of Germany in regard to the 20 milliards due by the 1st May, and had worked out the figures to be paid by Germany. They had said to Germany: 'You have not even paid 9 milliards of gold marks.' Germany claimed that she had paid 21 milliards. The Reparation Commission had then studied the question and taken a decision, and notified it to Germany. What did Germany do? She absolutely refused to comply with it. The last word could only rest with one party. The Reparation Commission had decided what Germany had to pay, and had announced their proposals. It was essential that the Reparation Commission should have the last word. That was the only proposal which he could agree to. He could not possibly go out of his way at this stage to make new proposals to Germany. We could wait and see what proposals the Germans were now about to make under the pressure of the Allies, but to make new proposals was out of the question. If Germany would make new proposals to the Reparation Commission, that would be a very good procedure and in accordance with the treaty; but we must not give Germany an opportunity for fresh delays. It would place him in a position which it would be impossible for him to defend.

MR. LLOYD GEORGE said that what M. Briand proposed amounted to sending an intimation to Germany without any warning that we intended to march and occupy the Ruhr and set up all sorts of elaborate machinery and practically to run Germany.

M. Briand said he had no desire to run Germany. He found it quite enough for him to do to run France under modest conditions of success. (MR. LLOYD GEORGE interpolated that it was a great and growing success.) The occupation of the Ruhr, however, was not, he thought, a very difficult matter to manage. (MR. LLOYD GEORGE interpolated that he was thinking of the difficulty of running the customs, mines, industries, &c.) For the rest, the first gesture made would probably have the effect of modifying the views taken in Germany, not only in the German Government itself, but in the circles outside the Government, which influenced them so much. He was convinced that the least pressure would have this effect and would give the German Government fresh power to act. It was essential that the new German proposals should testify that the German Government was liberated from this external pressure and ready to make reasonable proposals, which at the present moment he doubted. What had the Allies done? They had made proposals to Germany which had been refused. Now we were approaching the 1st May, which was a fundamental date in these transactions. If new proposals were made to Germany he thought she would jump at them. It was certainly not for the Allies to make any such new proposals. As to America, she had a very simple means of participating in these proceedings if she wished, namely, by renominating her representative to the Reparation Commission.

MR. LLOYD GEORGE said he had heard to-day that the Germans had sent some new proposals to America last night. He had not seen them, and had no idea of what they consisted. He asked if M. Briand had heard of them.

M. Briand said he knew nothing of their contents.

M. Berthelot said that that made the position more difficult than ever, if they were making proposals not to the Allies but to America. It would only produce confusion.

M. Briand said there was no doubt that the threat of Allied action had produced a certain effect. It was incontestable that when there were no sanctions Germany remained in her position and did absolutely nothing. Now that the 1st May, the date of maturity for payment, was approaching, it was certain that Germany felt a good deal of disquiet and fear. The tone of certain newspapers had changed, and the discussions in the German Parliament showed their disquiet. This was a good sign, and showed that they were in the right state of mind to make broad and liberal proposals. If the Allies showed the least disposition in the other direction they would immediately stop proposing anything and endeavour to gain time. It must not be forgotten that we were dealing with a people not of very good faith. But even if they were of good faith they were very feeble, and the Government was to a great extent paralysed by outside influences. As regards Hugo Stinnes and his clique, it was obvious that they were at the head of the press campaign which paralysed the German Government. Stinnes had lately given an interview in which he said that it was time to put politics aside and for business men to study the question and find a satisfactory solution. That was the first time that reasonable words had fallen from this High Priest. He was convinced that if Stinnes had not feared for his industrial enterprises in the Ruhr and elsewhere he would not have done this. Fear was the beginning of his interest in the question, and he was convinced that he would go much further when he realised that his personal interests were at stake. He himself quite realised the difficulties of Mr. Lloyd George. Merely as a Frenchman, and not as the present head of the Government, he could appreciate how important it was that Mr. Lloyd George should remain at the head of the British Government. He knew only too well how much they would lose if this were not the case, and how much less satisfaction other men would give them. Consequently, in talking with Mr. Lloyd George he did so with a wish to cause him the minimum of embarrassment and difficulty. He (M. Briand) quite realised that in present circumstances Great Britain could not make a military effort involving the use of a large number of men. Perhaps Mr. Lloyd George would say that M. Briand was not at the centre of affairs and could not realise matters as well as he could. Still, he was

[•] For the text of these proposals as sent to the U.S. Government on April 24-25, see F.R.U.S., 1921, vol. ii, pp. 46-48 and 53.

absolutely convinced that if Great Britain made a naval manifestation of any kind, even short of the point in the German rivers at which the Admiralty anticipated danger, it would produce a very great effect on public opinion, not only at home in Great Britain, but abroad, and more especially in Germany. In fact, he believed that it would produce a greater effect on Germany than even the occupation of the Ruhr. France could not do very much in the form of naval assistance, but what she could do she would contribute willingly. Further, she was quite willing to provide troops to be put on board the British ships. He was convinced that this double operation would produce the greatest effect.

MR. LLOYD GEORGE said there was rather a fundamental difference in the character of the procedure proposed in the two memoranda. The difficulty was still more serious in the case of the terms to be imposed and executed. It was true he had only made a superficial examination of the French memorandum (see Appendix 2 in I.C.P. 190 J),5 but their proposals seemed to him to be very oppressive. They appeared to throttle the industries of Germany without producing any results. Naturally he was quite willing to examine them more fully, and if his first impression was incorrect he would be willing to change it.

M. Berthelot interposed at this point that the French proposals had only been put forward in a very general form and as a draft.

M. Briand said that they could be altered, and that full explanations would be given.

Mr. Lloyd George, continuing, said that the first part proposed the occupation of the Ruhr without any preliminary warning. At the time the sanctions had been adopted in London there had been considerable doubt as to whether the Allies were technically in the right. 6 Germany was barely in default, even technically. Nevertheless, he had agreed to them in anticipation of the 1st May, and the sanctions had been imposed and put in operation. The British Government had accepted the sanctions proposed by France, and the French Government had agreed to the 50 per cent. sanction suggested by Great Britain. Consequently, the French sanctions, with the British sanctions superadded, had been imposed before the 1st May. What was now proposed? To apply further sanctions without any warning whatsoever? This required very careful consideration, and he himself felt full of doubt on the matter. He thought that a mere threat would produce the necessary result. The mere rumour had affected Germany as she had never been affected before. Yet time had not yet been given for the sanctions fully to fructify. The 50 per cent. proposal had not yet been carried through the French Parliament.

M. Briand said that as a matter of fact it had passed the Senate and been promulgated on the eve of his departure.

⁵ i.e. No. 71, Appendix 2.

⁶ See No. 30.

⁷ i.e. on April 21; see Journal Officiel, Lois et Décrets, April 1921, pp. 4930-1.

MR. LLOYD GEORGE said that it was not yet in operation therefore, and it had only lately been passed in Belgium.⁸ The British Government had passed it three weeks ago,9 but had always realised it would take some time to set the machinery up and to get it in full operation. They had known that they could not apply it in respect of goods which had already been paid for, and that they could not collect anything before the 1st May. It would not be in operation in France for some time to come. Yet, before this measure was even in operation, the French Government was contemplating much more drastic sanctions without even consulting the Supreme Council. He thought this was very dangerous, and he would be very sorry to see the alliance broken. He was not alluding to France and Great Britain when he said this, but to the other countries. After all, Italy, in spite of her sulkiness, usually came round to the Allied point of view. Japan also acted with us. As regards America, M. Briand was far more sanguine than he. He had received a report from a rhetorical gentleman who was also a poet, and who, in accordance with his poetical temperament, was inclined to take a very sanguine view. 10 He hoped that M. Briand was right. The British reports, however, were not quite the same.

He was told that even the threat of the 50 per cent. sanction had produced a very bad effect on German industries. A considerable number of their factories were losing half their business. No orders were being given in Great Britain for German goods; and the British business had, before the application of the sanction, reached a scale of 1 milliards of francs per annum. Now this had suddenly been cut off. This was a very serious matter for Germany, but the British business meant the formation of credits abroad for Germany. Before giving time to these sanctions to produce their effect, M. Briand was actually proposing to abolish the 50 per cent. sanction altogether, and to do this without even summoning a meeting of the Supreme Council and putting the matter before the Allies and obtaining their agreement. This was a very serious suggestion, namely, to substitute a method which was quite new, for he understood that M. Briand proposed to substitute the 25 per cent. tax inside Germany for the 50 per cent. (M. BERTHELOT interpolated that this could be abandoned or the two taxes could be combined.) Continuing, Mr. LLOYD GEORGE said that the French memorandum amounted to a proposal to dissolve the alliance and to substitute for it mere conversations with Great Britain. He would ask M. Briand to pause and consider what he was doing. The proposal contained elements of considerable anxiety. The one thing that remained was the solidarity of the Allies. Even Italy, though not always of the same point of view as her Allies, usually came to the meetings of the Supreme Council and gave her assent. He would urge M. Briand to pause before acting on the sole responsibility of France without obtaining even the moral authority of the Allies.

M. Briand said that he wholly shared Mr. Lloyd George's preoccupations.

⁸ On April 7, 1921; see Moniteur Belge, April 7, pp. 2890-1.

⁹ See No. 49, n. 4.

¹⁰ The reference was to M. Viviani; see No. 71, n. 7.

It had never been in his thoughts to proceed by isolated action, because this might—he would not say 'break up,' but at any rate weaken the bonds of the Entente. He had desired this private conversation because he felt that within the alliance the agreement of France and Great Britain was absolutely essential. It was, indeed, the pivot of the Entente, without which the Entente was a shapeless thing, little capable of producing practical results. That was the reason for the present conversations and exchange of ideas. As regards the objection made as to the apparent contradiction between the 25 per cent. tax in Germany and 50 per cent. on German imports, this could be examined by experts, and probably some means could be found for combining both methods. It was only a detail which could be subsequently arranged. As to Mr. Lloyd George's remarks in regard to the Allies, including, of course, Italy, he agreed that it was not possible to take any action without arranging matters with them. Hence, not only did he not exclude the proposal for a new conference, but he thought it should take place as soon as possible, that it was impossible to avoid it and that it was desirable. As regards his new proposal, which had been considered not through the eyes of M. Viviani (who, he would remark, was a friend of his childhood, and, while he recognised his poetic temperament, he also knew his solid and discriminating mind), the French Government had heard the views of not poetic people, but of extremely positive people, and so had been able to strike an average. For all these reasons he could see how necessary it was to hold a fresh meeting of the Allies in order to reach a common solution. If, however, Great Britain was disposed to set aside the French proposals, he was under no illusion as to their fate. His own position would then be weakened and become much more difficult. Hence, he would ask Mr. Lloyd George to examine his proposals carefully, and he would see that the occupation of the Ruhr was the only way of producing the necessary results. When Ruhrort, Duisburg and Düsseldorf had been occupied¹¹ it had been thought that by these means the Allies would obtain a hold of a tap for the German coal, which they might use for the purpose of raising taxes. They had not done this, but if the resistance of Germany stiffened it would be necessary, and this at once led to the idea of seizing the periphery of the basin of the Ruhr and of controlling German industries and wholly controlling her coal. He had only given the plan in general outline. When examined in detail, however, it would be found that each part of the plan was justified by the plan as a whole. On the following day, or the day after, Mr. Lloyd George should have the full report, which had been completely studied by business men, mining experts, engineers, as well as competent Government officials, who could explain the plan at much greater length than he could. He would send the document to-morrow or the following day. He quite shared Mr. Lloyd George's preoccupation as to the necessity of an early meeting with the Allies.

MR. LLOYD GEORGE said that he was very anxious to agree with the French Government. He was especially anxious to agree with his fellow

11 See No. 70, n. 14.

Breton, but he could not conceal that he was genuinely alarmed at the proposals framed by M. Briand. He was particularly anxious that it should not be known to anyone that there had been hesitation on the part of the British Government in accepting. This was particularly important at the present stage, when Germany was thoroughly alarmed and putting forward proposals, for it might cause her attitude to harden. Hence, even if they did not fully agree, it was important merely to announce that the British Government had made certain suggestions, that M. Briand had made elaborate proposals and was going to send details within the next few days to the British Government. It was imperative, however, that M. Briand should have his objections in mind. He felt that it was proposed to ask Germany to do something which, with the best will in the world, she could not accomplish. The only result would be the occupation of the Ruhr in order to bring pressure on Germany to do something which was impossible. The Allies would then have to go on selling coal with a tax of 40 gold marks per ton, and to feed the population of the Ruhr, and to maintain seven divisions there, as well as to occupy the customs, or at least to place commissioners in the customs-houses. This would prove a very expensive business. Even if the coal could be sold, this would be the case, and he doubted if it could be sold at this price. Great Britain could not sell coal anywhere even at 40 gold marks; about 30 was the utmost we could obtain within Great Britain, and elsewhere we could not obtain this. This sum of 40 gold marks, proposed by M. Briand, however, was a tax, so that the selling price would be between 60 and 70 gold marks per ton in Germany. This was a sum no one could pay. German industry would be completely crushed. Some industries might be able to take a certain quantity, but the majority would have to reduce their output or go out of business. This would only make it more impossible than ever for them to provide reparations. It would produce famine, unemployment, and reduce Germany to Bolshevism. This was a great danger. It was quite right to hold out the threat. It was like a threat to kill; by such a menace a man might be induced to do many things; for instance, to hand over all his money, or give you his boots; but it was no good killing him, for his carcase was useless. Similarly, the carcase of Germany would be of no use. What was of value was 60,000,000 people working for you. Hence he thought frankly that the scheme was fantastic as a measure for producing an indemnity. A threat of strangulation might be useful. That was why he preferred the threat. To quote another example, namely, that of the 12 milliards of gold marks, M. Briand said that this must be paid at once. He declared that Germany had I milliard available in gold. If the effect of taking it was to produce the collapse of Germany, this would be useless, though he did not pretend to be able to say whether this would be the effect. Then M. Briand proposed that shares in German industries to the value of 7 milliard gold marks should be handed over. He had very grave doubts about this. Who would buy them? France, or Great Britain, or America? If they could be bought it would be at a price which would have no relation to their nominal value. Merely to put on the market shares to the value of 7 milliard marks would reduce them in any market in the world. In fact, it would break any market except in a time of a boom. He knew of no boom in German shares outside of Germany. He doubted even if they had a market. Had they a market in France? He had never heard that Wall Street was demanding shares in Stinnes's industries. Hence, when the French Government suggested that they would obtain 7 milliards of gold marks by interesting themselves in Stinnes's industries they were under a delusion.

(At this point Mr. Lloyd George made some remarks as to what he understood was M. Briand's proposal to obtain 4 milliards from raw materials, but he corrected this during the translation, and it was not interpreted.)

Continuing, Mr. Lloyd George said that there was also a proposal to obtain 4 milliards of gold marks from foreign securities ow ?nled by Germany. He understood, however, that the Germans had been trying for a long time to obtain these funds in order to secure food and had completely failed. He doubted if there was any sum of the kind in the whole country. He was amazed to hear that these proposals had been approved by business men, and he would like to know who they were, in order that he might consult them or put them in touch with our own business men. Did these business men contemplate buying German shares themselves, or did they propose they should be bought in Great Britain or in Italy? To say that the Allies would occupy the Ruhr unless Germany assented was to say that the Ruhr would be occupied at immense expense, especially to France. There was no indemnity in that. He agreed that Germany did not like the idea of the occupation of the Ruhr, and that it was a good means of putting pressure on Germany. It was a means of putting the thumb on Germany's windpipe and saying, 'My thumb is here, and if you do not do what I want I will crush it in.' But to do it without giving Germany any opportunity to make a proposal was a mistake. If Germany refused to make an offer, we might go into the Ruhr. But that was the application of a sanction. It would be a mistake to begin with killing the victim. That was his view. He would much rather that Germany did not think that he and M. Briand had differed. He would rather Germany thought that they were concerting some most terrible measures, and that these would be applied within three week[s] unless she handed over all the gold marks that could be distilled from the blood of her people. That was the general view of the British Cabinet, and not merely his own view. There had been rather a feeling of reluctance in the British Cabinet, and he felt that he himself had taken a rather stronger line than some of his colleagues in suggesting that Germany must be forced by entering the Ruhr. He would apply the sanctions only if Germany refused to give, not only an undertaking, but a definite guarantee that the Paris terms would be realised. M. Briand said that our proposals amounted to an invitation to Germany for further discussions. This was not the case. They said that unless Germany accepted by a given date, the Allies would advance into the Ruhr.

This was a very different thing from an invitation to discuss the question. It was an ultimatum.

M. Briand said he did not want unduly to protract the discussion. He must, however, reply to a few of Mr. Lloyd George's objections. On the technical grounds of pure business, the produce of the taxes to be imposed, and the conditions of German industry, he was afraid that he personally was a feeble advocate. He had not pursued these matters himself, but had entrusted them to men who could not be described as poets; for example, M. Loucheur, M. Seydoux¹² and inspectors of mines, who had closely studied these questions. He had merely given to Mr. Lloyd George a general outline of their proposals. He felt sure that their explanations would help Mr. Lloyd George to understand the proposals and dissipate any wrong ideas he might have. There might be some explanation as regards the taxes and, above all, as to the amount that the taxes would produce. But at the present moment Germany was giving almost nothing. At any rate, the taxes would make a great impression on the industrial and financial magnates. Germany would undoubtedly then say she could give more. It was difficult to get France to believe that she could not do so. If the Allies laid their hands on the coal of the Ruhr, at least it would be possible to obtain a tax of 20 per cent. on the coal produced which Germany now levied. That at any rate could be produced. Perhaps it could be doubled. He agreed that German industries should not be killed. It must not be forgotten, however, that the Germans worked under privileged conditions owing to the exchange. Nothing was fixed as to the amounts, which might be fixed at the figure 'X,' and would at any rate produce something. So much for the material question. As regards the participation in German industry, possibly the experts had estimated the product at too high a figure. The Germans, however, had envisaged this idea themselves and were ready to fall in with it. He did not say that the proposed participation in German industry could be realised at once, but he did know of very great industrial and financial magnates who asked nothing more than to be able to buy these shares in good paying German enterprises. This would certainly produce money. Now as regards the moral side. In the present state of Germany the bad faith of the German Government was due to men who had made fortunes in Germany, to such men as Hugo Stinnes and the like. Their bad faith prevented the German Government from fulfilling their promises. They said so openly, and it was only necessary to read their papers. They declared the Treaty of Versailles did not exist, that the Allies would get nothing from the occupation of Duisburg and Ruhrort. Moreover, they went outside Germany and bought up all the industrial enterprises which were in the market. They managed to find money at the back [? bank] all right. Moreover, their own industries functioned under peculiarly favourable conditions. They constantly mocked at the Allies. When the Allies seized their own industries, would they take the same attitude? He thought not. When the coal was in our hands he thought that

¹² Respectively French Minister for the Liberated Regions and Reparations and Head of the Commercial Section in the French Ministry of Foreign Affairs.

their attitude would change. Mr. Lloyd George must know the German temperament, which only submitted to strong pressure. He was convinced that the occupation of the Ruhr would produce a great effect very soon. It was impossible to pretend that the Germans were now acting in good faith. Their whole press showed the contrary, and they declared that the Treaty of Versailles was a scrap of paper, it had only been signed because the knife was at their throat. If the Allies did not take action now it would mean bankruptcy to-morrow. He quite understood Mr. Lloyd George's difficulties. He agreed that it was no good killing the patient; he only wanted to provide sufficient pressure gradually to lead the Germans to see that they really had the money in their pocket. He did not want complete strangulation. If there was only a threat, however, without action, Germany would do nothing. Before a mere menace they would not act. They must feel the thumb on their throat. That was his view and that of all his fellow-countrymen. He admitted that the proposals might require examination in detail, and that the figures were a matter for discussion. A meeting of the Allies was indispensable. In any case, they must wait and see the German proposals to America.¹³ Perhaps the figures that they would contain would be as such [sic] to fill the Allies with joy. They must not completely strangle Germany. He himself had never strangled anyone. But it would not be good tactics to offer new proposals until the Allies had seen what proposals Germany had offered through America. It was important not to let anyone think that the two Governments were not in agreement. It would produce a most vexatious impression and raise dangerous hopes in Germany. He hoped that Mr. Lloyd George would not reject all idea of recourse to the measures he now proposed, under reserve, of course, of discussion in detail. He had said he was ready to take Germany by the collar¹⁴ but not to strangle her. The fact was he did not know what he would do with the carcase.

MR. LLOYD GEORGE said he was all for taking her by the collar. He thought better terms could be obtained by a threat than by immediate action. However, he did not want to put M. Briand in the position of having to say that Mr. Lloyd George had not agreed with him. In Parliament he would say that he had a long discussion with M. Briand, who had promised to make further proposals to him, and that there would shortly be a meeting of the Allies. He would add that they were in complete agreement that Germany must carry out her obligations, and that all necessary measures would be taken.

M. Briand said he thought the meeting of the Allies should take place as soon as possible, within a few days. Meanwhile the French Government would put their proposals in shape and there would be all the elements of a useful discussion.

MR. LLOYD GEORGE asked when he would suggest.

M. BRIAND said about the 30th April; that was to say next Saturday.

MR. LLOYD GEORGE said he could not go out of England while the present troubles lasted, but Lord Curzon could go.

13 See n. 4 above. 14 See J. O., Sénat: Débats, April 5, 1921, p. 582.

M. Briand said that the French representatives would be ready to come to London.

MR. LLOYD GEORGE said that Lord Curzon would have been present at this meeting, but for the fact that the British Government had asked Count Sforza and M. Jaspar¹⁵ not to come. Consequently he had thought it more tactful to stay away, since Count Sforza, though he might have objections if a Foreign Minister were present, could not object to a meeting of Prime Ministers.

M. Briand offered to come to London for the meeting if more convenient.

MR. LLOYD GEORGE said that if the strike was over he would go to Paris, but he feared this would not be the case and that it might last another three weeks.¹⁶ He suggested that the French Government should send experts in advance to examine these proposals before the meeting of Heads of Governments. Could M. Loucheur come?

M. Briand said M. Loucheur would certainly come. Could the 30th be fixed for the meeting?

SIR BASIL BLACKETT¹⁷ said that the Reparation Commission would not, he thought, be ready by then. They were clearing up before the 1st May.

M. Berthelot said the Reparation Commission expected to be ready by Tuesday or Wednesday. In any case they must be through with their work before Sunday, the 1st May.

MR. LLOYD GEORGE said that if the strike was over he would go to Paris; otherwise he would expect M. Briand in London.

M. Berthelot said that after the 1st May it would be impossible to hold back French opinion.

MR. LLOYD GEORGE said that he had read the French debates and knew their difficulties. He proposed to add in his statement to Parliament that if the German proposals were not satisfactory the Allies would occupy the Ruhr. Lord Robert Cecil would almost certainly ask if this was to be done, and he would say that the matter was one for the Supreme Council, but that if the German proposals were not satisfactory so far as Great Britain was concerned he would support the occupation of the Ruhr.

M. Briand said he would say the same. He would add that they were expecting the German proposal and that if it was not satisfactory the Ruhr would be occupied.

MR. LLOYD GEORGE said it was important to remember Italian susceptibilities and to say that the Supreme Council would have to decide.

M. BRIAND agreed.

MR. LLOYD GEORGE said it was important not to suggest that the Supreme Council was merely going to be asked to ratify a decision already taken between us.

M. BERTHELOT asked if the invitation would be sent by the British

- 15 i.e. the Italian and Belgian Ministers for Foreign Affairs.
- 16 i.e. the coalminers' strike in Great Britain; cf. No. 70, n. 19.
- ¹⁷ Controller of Finance at H.M. Treasury.

Government for a meeting in London next Saturday, with a proviso that if the strike was over it would take place in Paris.

Mr. LLOYD GEORGE agreed.

M. Briand said he was going to tell the press that he had had a conversation, that he had explained the outline of a scheme and had promised to send details to Mr. Lloyd George; that they had been warned that proposals had been made by Germany to America and that, in these circumstances, it had been impossible to arrange anything definite. The final decision would be taken by the Supreme Council which would meet before the end of the month, if convenient to the Italians and to the other Allies.

Mr. Lloyd George agreed.

(The Conference adjourned at 5.45 p.m.)

Lympne, April 24, 1921.

CHAPTER IV

Proceedings of the Fourth Conference of London and Records of Conversations connected therewith April 30-May 5, 1921

No. 73

I.C.P. 190L] British Secretary's Notes of a conversation held at 10, Downing Street, S.W. 1, on Saturday, April 30, 1921, at 12.30 p.m.

PRESENT: Great Britain: The Rt. Hon. D. Lloyd George, O.M., M.P.; The Rt. Hon. Earl Curzon of Kedleston, K.G., G.C.S.I., G.C.I.E.; Sir Maurice Hankey, G.C.B.

France: M. Briand, M. Camerlynck.

This conversation was of an informal and purely preliminary character.

Allusion was made to a new scheme for Reparations which had been drawn up in the conversation[s] between the British and French experts.

M. Briand stated that M. Loucheur² had reported the fact of these conversations to him without giving any details as to the results. M. Briand laid stress on a discussion by the Allied Conference on Disarmament, which he said was for France a very grave question and one on which public opinion was almost as deeply concerned as on Reparations. He did not wish to exaggerate but he said that the President of the Bavarian Government had recently stated publicly that between the Einwohnerwehr and the Orgesch he had 300,000 men at his disposal with plenty of rifles and machine guns, and 1,000 cannon.³ The French Government had also recently heard that the German Government had agreed with the Bavarian Government not to demand the dissolution of these Forces. Apart from this there were a certain number of questions in regard to the handing over of rifles, guns, and machine guns. The German Government had not only refused to comply with the demands of the Military Commission of Control but had asked for arbitration. M. Briand read letters to support this statement.

The result of the conversation was that the Meeting of the Allied Conference was advanced from 4 p.m. to 3 p.m., and it was agreed:—

that the Heads of Delegations should be accompanied by only one colleague apiece.

² French Minister for the Liberated Regions and Reparations.

³ Cf. Vol. X, enclosure in No. 347.

¹ Further examination by British and French financial experts of the proposals in No. 71, Appendix 2, had been arranged at the Allied meeting on April 24; see No. 72 (p. 485).

MR. LLOYD GEORGE asked M. Briand to be prepared to open the proceedings.

After a short discussion on the proposals of the French Government in regard to the occupation of the Ruhr,⁴ in the course of which Mr. Lloyd George said that the British experts had found the proposal useless as a means of raising Reparation from Germany, though it might be regarded as a useful threat, the conversation came to an end.

- 2, Whitehall Gardens, S.W. 1, 30th April, 1921.
 - 4 For these proposals, see No. 71, Appendix 2, pp. 471-2.

No. 74

I.C.P. 191] British Secretary's Notes of an Allied Conference held on Saturday, April 30, 1921, at 3 p.m., at 10, Downing Street

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister (in the Chair); The Rt. Hon. the Earl Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; experts, Sir John Bradbury, Sir B. Blackett, Mr. Vansittart, Mr. Kerr; secretaries, Sir M. Hankey, Mr. Howorth, Mr. Wicks.

France: M. Briand, President of the Council; M. Loucheur, Minister for the Devastated [? Liberated] Regions and Reparations; M. Berthelot, Secretary-General of the Foreign Office; SECRETARY, M. Massigli.

Italy: Count Sforza, Minister for Foreign Affairs; Marquis della Tor[r]etta; experts, Baron Valentino, Signor Galli, Signor d'Amelio, Signor Giannini.

Japan: Baron Hayashi, Japanese Ambassador in London; Mr. Kengo Mori; secretaries, Mr. Saito, Mr. Yoshizawa.

Belgium: M. Jaspar, Minister for Foreign Affairs, Colonel Theunis, Minister of Finance; secretaries, Viscount Davignon, Viscount Terlinden.

INTERPRETER: M. Camerlynck.

1. Reparation by Germany

MR. LLOYD GEORGE opened the proceedings by stating that the conference had been desired by France, and proposed that M. Briand should put before the conference the proposals which the French Government had in mind, to which he might rest assured the Allies would give faithful, fair and favourable consideration.

M. BRIAND agreed. The French Government had desired that a conference should be held on the 30th April, on the eve of the critical date, the 1st May. Loyalty and consideration to the Allies made it necessary for the French Government to consult them, and show the unfortunate position of

¹ See No. 72 (p. 484).

France in face of the successive defaults of Germany. But the French were most anxious to do nothing without consulting their Allies. What would be the position, in face of the successive agreements that had been arrived at with the German Government, if Germany declined to fulfil them? It was not denied by anybody that Germany had failed to fulfil her obligations, whether in respect of disarmament, reparation, or the punishment of war criminals. Not only had she not fulfilled them, but she had been devising measures to show that her undertakings were only signed under violence, and that she was therefore not bound to execute them. For example, on the 27th April, Dr. Simons had declared that the Wilhelmstrasse were busy collecting documents to show that the question of the responsibility of Germany for the war was still open.² For more than a year conversations had been carried on. France had wished to use every possible means of conciliation. When he took office, in spite of attacks he had followed the course of his predecessors, and had accepted the main conditions of the negotiations then proceeding. But the corollary of that was that if Germany refused or failed to fulfil her obligations, France and the Allies would have to resort to guarantees and to coercion. The conference would remember that since the Paris Agreement and the conversations with the Germans in London,3 the Germans had had full time to reflect upon their position, and had definitely refused the offer made to them. 4 Whatever scruples the Allies might have had before the 1st May, on technical grounds, it was obvious that by the end of this month, if Germany had done nothing, the Allies must resort to measures of coercion. From the French point of view, if Germany were a defaulter so far as reparations were concerned, it meant ruin to France; but disarmament was a question of life and death. Any nation, however small, must refuse to compromise on a question involving the safety of the country. A Military Commission had defined the conditions of disarmament,5 and had Germany complied there would be nothing to say; but from a certain time Germany had refused compliance, and in respect of Bavaria, had published a formal statement that disarmament should not take place. The president of the Bavarian Council had stated that there were 300,000 rifles and machine guns, and a reserve of 1,000 cannon, quite ready for use.6 These weapons France regarded as aimed at her heart. Only during the last few days he had heard that the German Government were determined to stand by Bavaria in the matter.

MR. LLOYD GEORGE asked where that information had been obtained. He had heard of the declaration by the Bavarian Prime Minister, but he had never heard that the German Government were supporting Bavaria in the matter.

3 See Nos. 12, 27, 31, 39, 43, and 45.

² e.g. the second White Book ('Militärische Rüstungen and Mobilmachungen') issued, in 1921, by the Reichstag's Commission of Enquiry.

⁴ On April 18 Lord D'Abernon had reported in his telegram No. 142 to the Foreign Office that he had impressed on Dr. Simons the 'great desirability of a declaration by German Government that they accepted Paris resolutions'. Seven days later, however, on April 25, German counterproposals were received by the U.S. Government; see No. 72, n. 4.

⁵ See No. 11, Appendix 2 and No. 12, n. 2. 6 Cf. No. 73.

M. Briand stated that it had been published in all the newspapers, and was confirmed by information received by the French Government by [? from] the official 'München [? Münchner] Zeitung,' the Einwohnerwehren [sic] was not dissolved, and the Berlin Government refused to put pressure on Munich to obtain its dissolution.

LORD CURZON asked whether this was an official declaration.

M. Briand said no, it was not an official declaration, but the position was worse than that, because the Military Commission had made a number of demands from the Germans on various points relating to disarmament which had been refused; and, having regard to this, it was hopeless to ask them to exert pressure on Bavaria.

MR. LLOYD GEORGE pointed out that there was a great difference between action by the Bavarian Government alone and by the Bavarian Government supported by the Central Government. His only information was that the Central Government had brought such pressure as was possible upon Bavaria. He enquired whether the Italian Government had any information on the point.

M. Briand said that there were other matters still more noticeable. The German Government had refused to execute the decisions taken by the Paris Conference relative to the delivery of machinery, the stopping of aeronautical manufacture, and the closing down of war material factories, the maintenance of which was not approved by the Commission of Control. On all these points the commission had stated Germany's default. While the civil guard in East Prussia had been disarmed, the German Government had refused to surrender the material to the Control Commission, so that the situation in the east was no lighter.

MR. LLOYD GEORGE enquired what that report was. He had not seen it. M. LOUCHEUR handed in the report referred to, and stated that it had been distributed among the Allied Powers by the secretariat of the Conference of Ambassadors, and that this conference had taken action on German omissions in conformity with the views of the Allied Military Commission of Versailles.9

- ⁷ In a note on this subject, dated April 30, Mr. Wigram, a member of the Central European and Persia Department of the Foreign Office, had written: 'This statement [i.e. that the German Government have identified themselves with the Bavarian Government in the refusal of the latter to disband the Einwohnerwehr] is without any foundation in fact. The German Government promulgated a law dissolving the Einwohnerwehr throughout the whole of Germany on March 23rd, and short of the use of force which would presumably split the Reich, they have done all they could be expected to do to induce Bavaria to comply with the Paris decision.' [C 9281/13/18].
- 8 i.e. in their 'Opinion' ('Avis'), dated April 1, upon the note of March 26 from Dr. Göppert (Director of the Peace Section of the German Ministry of Foreign Affairs) to Gen. Nollet (Chairman of the Inter-Allied Military Commission of Control at Berlin) denying that the German Government had transgressed any of the dispositions of the Peace Treaty concerning disarmament and the German fortresses. Dr. Göppert's note is printed in Deutscher Geschichstkalender, Ausland I, Januar-Juni 1921, pp. 244-5.
- ^o Dr. Göppert's note of March 26 and the Military Control Commission's comments of April 1 (see n. 8 above) had been submitted to the Conference of Ambassadors on April

M. Briand continued that the demands on the German Government had not been carried out either in respect of the delivery of materials or the disarmament of military formations. That alone would put France under an imperative necessity to protect herself. France had been obliged, owing to the heavy burdens created by the late war, to reduce her military service to the minimum. Was she to be obliged again, in four or five years' time, to ask whether the security of the State was in jeopardy? It would be criminal on the part of any French statesman not to take care to protect his country against the dangers with which he found himself confronted. M. Briand then gave instances of defaults by Germany. Germany had agreed at Spa to make delivery of armaments in excess of those authorised by the treaty.¹⁰ Germany had not done so, and in a letter of the 16th [? 26]11 March had declared that she would not recognise the decisions of the Allies in the matter. Germany had undertaken to suppress the Einwohnerwehren and Sicherheitspolizei, and had not done so. Military material had not been delivered from Bavaria nor from East Prussia. The same position existed in respect of aerial material, the manufacture of aircraft, and of shell-making factories, which had to be reduced to a certain number. Germany had declined to carry out her obligation. Such was the position. It was very serious from the French point of view, and French patience was exhausted. With the best will in the world to reach a common understanding, it had been a very serious matter for France to go outside the treaty in order to try and come to an agreement with Germany. Lengthy conversations had taken place; the longer they lasted the less ready was Germany to agree, and the Allies had been obliged to occupy a certain part of the Ruhr. 12 Then Germany began to weaken, but the German Government was a weak Government, and was unable to act unless compelled to do so. On looking round, it would be seen that Germany was using all the means in her power in order to gain time. She had suggested reference to experts¹³ in order to exhaust the patience of the Allies and to separate them one from another. She had canvassed the neutral countries, and had applied to the Vatican, to the Swiss Government, to Czechoslovakia, and to the United States of America.14

Germany had asked for the mediation of the United States, and that the United States had refused.¹⁵ Germany had then sent further proposals, ambiguous and indefinite in form for the purpose of moving opinion in her favour. It was enough to say that they were unacceptable to the Allies, and

27, attached to the Report of the Allied Military Committee of Versailles. This Report had proposed the rejection 'purement et simplement' of the German Government's suggestion that any disarmament questions remaining in dispute should be submitted to an impartial arbitration tribunal.

- ¹⁰ For the Protocol respecting the armed forces of Germany signed at Spa on July 9, 1920, see Cmd. 1325 of 1921, No. 190; cf. Vol. VIII, No. 52.
 - ¹¹ The reference appears to be to Dr. Göppert's note of March 26; see n. 8 above.
 - 12 See No. 70, n. 14.
 - 13 See No. 45, penultimate paragraph.
 - 14 Cf. No. 71, p. 468.
 - 15 For the U.S. Government's reply of April 21, see F.R.U.S., 1921, vol. ii, pp. 44-45.

that the United States had not been able to agree to forward them because they were not calculated to have any success. 16 Such was the position when the date of maturity had arrived. The Reparations Commission had fixed the amount of the total debt, acting as an independent and impartial tribunal.¹⁷ In his capacity as President of the Council, he had given no instructions to the French delegate on the commission as to the line he should take. It was against his conscience to do so, and he had told the French delegate to judge according to his own conscience. He himself did not know the sum which had been arrived at until two hours after the award had been given. The Allies had sent an ultimatum to Germany which had only resulted in default, it had accordingly become necessary to take stronger measures, and the French Government had made its dispositions and had notified them to the Chamber, 18 but had no wish to take definite action without first discussing its contemplated measures with the Allies. Without doubt, the decisions to be taken meant heavy sacrifices for France, since it would be necessary to call back to the colours a military class that had recently been dismissed, but action could not be avoided. France proposed to occupy Essen in three days' time, and to proceed immediately with the occupation of the Ruhr. He looked for the occupation to have a dual effect; the moral effect arising from the fact that it was an industrial centre under the control of commercial magnates who were able to exert pressure upon the German Government; and the material effect, that by imposing taxes the Allies could extract a certain amount of receipts by way of reparation. It would be possible to occupy Essen in three days, and the whole of the Ruhr in five or six days.

MR. LLOYD GEORGE asked from what date the three days were counted.

M. BRIAND said that if the Allies came to a decision on the 1st May, Essen could be occupied by the 4th May.

MR. LLOYD GEORGE said he understood it took ten days to call a military class up for service.

M. BRIAND stated that the French Government would proceed with the elements they had on the spot, and the reserves would follow in due course.

M. LOUCHEUR said that the exact time was three days to Essen, and six more for the whole of the area.

M. Briand resumed that the technical dispositions were complete, and they only waited to hear what share the Allies would take. He did not say that if conversations could be opened to-morrow the French Government would decline to enter into them, but the results would be much more satisfactory if they had guarantees in their hands that they would not be entering into interminable conversations. It was interesting to observe that in Germany

¹⁶ See ibid., pp. 46-48 and 53 for the German further proposals, and pp. 54-55 for the U.S. Government's reply of May 2.

¹⁷ On April 27 the Reparation Commission had decided unanimously on a total of 132 milliard gold marks; see *Reparation Commission Report* (1920–22), p. 35. Cf. The Times, April 28, p. 12.

¹⁸ See No. 71, Appendix 2 for an outline of the French proposals. M. Briand had notified the French Chamber of the Anglo-French discussions at Lympne (Nos. 70-72) on April 26; see J. O., Chambre: Débats, April 26, pp. 2043-7.

measures had already been taken by the central authorities for the billeting of troops and officers in the Ruhr. It was to the credit of the German capacity for organisation. Were that same capacity for organisation to be applied in the discharge of their obligations under the treaty, the Allies would be more likely to get satisfaction.

MR. LLOYD GEORGE asked whether the Reparations Commission had fixed the total amount of the debt under the treaty, and whether it had been communicated to the Germans.

M. LOUCHEUR suggested that Sir John Bradbury, 19 should answer the question.

SIR JOHN BRADBURY stated that the Reparations Commission had fixed the total of 132 milliards gold marks, and the decisions had been communicated to Germany two days ago.²⁰

MR. LLOYD GEORGE asked what had been done in regard to fixing the amount of the instalments, and the dates of payment?

SIR JOHN BRADBURY said that under the treaty this should be done concurrently, but the Reparation Commission had interpreted this to mean as soon as possible afterwards. At the same time that the Reparation Commission had communicated to the German Government the total amount of the reparation debt, an invitation had been given to the Government to place before the commission their views as to the time and arrangements for payment. The Germans had replied that, in view of the present position, they had decided that it was undesirable for them to appear before the Commission and state their views on these matters.²¹

MR. LLOYD GEORGE then enquired what powers of appeal the German Government had against the figure of 132 milliards of gold marks fixed by the Reparation Commission?

SIR JOHN BRADBURY explained that under the treaty the Reparation Commission had to consider the claims of the various Governments, to give a just opportunity to the Germans to criticise those claims, and, after hearing the Germans, to fix the amount of the reparation debt. The Reparation Commission acted throughout as a strictly judicial tribunal.

MR. LLOYD GEORGE enquired whether the Germans had, in fact, been heard?

SIR JOHN BRADBURY stated that the commission had received from the Germans 130 separate memoranda, and at twenty-two separate sittings had heard the Germans verbally.

M. Briand remarked that the German delegation had stated that every possible facility had been given by the commission to the German Government, and that the various criticisms had been thoroughly examined and discussed.

SIR JOHN BRADBURY explained that the head of the German delegation, at the concluding sitting,²² had thanked the commission for the care and attention given to the German case and for the facilities granted to the Germans as

- ¹⁹ British delegate to the Reparation Commission. ²⁰ Cf. n. 17 above.
- ²¹ See n. 39 below. ²² See Reparation Commission Report (1920-22), pp. 33-34.

regards the examination, &c., of documents. The only reservation then made was to the effect that the time available had not been sufficient. Since this meeting, however, a letter had been received from the German delegation which indicated a change of attitude, and also that possibly the head of the delegation had on this occasion gone beyond the views of his fellow delegates.²³

Mr. Lloyd George asked Sir John Bradbury whether, in the view of the Reparation Commission, the amount fixed was a moderate and fair amount, and was neither extravagant nor an exaggerated sum, having regard to the damage sustained, prefacing his question by indicating that Sir John Bradbury need not answer it unless he cared to do so.

SIR JOHN BRADBURY said that, of course, he could not speak for the Reparation Commission as a whole, but his own personal view was that the sum fixed was not an excessive one, and was similar in character to that which would have been fixed by an impartial British jury in a claim against a railway company; that was to say, it represented not a strictly scientific assessment of damage, but an approximate and at the same time an equitable settlement.

M. LOUCHEUR said that now that the award had been actually given, the French representatives could conscientiously say that it was 20 to 25 per cent. below what France considered herself entitled to.

M. Briand remarked that M. Tardieu²⁴ would be certain to attack him as regards the amount fixed, and would press him to state why he (M. Briand) had not insisted on a higher figure.

MR. LLOYD GEORGE remarked that it would be a serious matter if the Allied Governments, or any of them, had put pressure upon the Reparation Commission to fix a higher figure than the commission thought equitable. He now asked Count Sforza to give his views on the position.

COUNT SFORZA said that, in order that he might be able to give his views as briefly as possible, he desired to ask M. Briand for further information on the proposed connection between the Reparation Commission and the sanctions which the French Government now wished to impose. What, in fact, would be the functions of the Reparation Commission after those sanctions had been brought into being?

M. Briand said that his answer was simple. Germany had in turn regarded the Reparation Commission as favourable or unfavourable to her as she found it advantageous or inconvenient to make use of the commission. As long as the endless discussions were going on as to the technical details of reparation, Germany favoured the commission as a time-wasting device. When, however, the commission had given their award she at once repudiated the findings, refused to accept the decision, made various advances to America, and then proposed that the case should be submitted to some sort of international court of justice, knowing full well that no such court was in existence, and knowing also that her proposal, if adopted, would mean

²³ For this letter of April 22, see Reparation Commission Report (1920-22), p. 34.

²⁴ Deputy for Seine et Oise.

further loss of time. The only possible way in which the true situation could be brought home to the German people was by the institution of coercive measures which would remind them that the Reparation Commission still existed and had important functions to perform. In his (M. Briand's) opinion the Reparation Commission would be quite able to settle the total sum payment and the amount of the annuities; but, unless pressure was put upon her, Germany would never accept the recent findings of the commission or any future decision of that body.

COUNT SFORZA remarked that his point of view was of a more technical nature. He quite agreed that the Reparation Commission had, in the past, done very excellent work. The question was, how was it possible for the commission to go on with this work when the Allies were applying sanctions such as those now proposed?

M. Briand said that the Reparation Commission had already considerable experience of conducting negotiations with Germany while the Allies were applying sanctions to her. After both the Paris and the London Conferences, sanctions had been put into force which had, in fact, made no alteration in the relations between the Reparation Commission and the German Government.

COUNT SFORZA remarked that it was necessary to distinguish between questions of fact and questions of right.

M. Briand said that, leaving out of account the question of disarmament, as soon as Germany gave real guarantees and assurances of her future intention of carrying out the obligations imposed on her by the Treaty and the findings of the Reparation Commission, and not mere scraps of paper to be torn up at her discretion, the position would become clear. The French Government had no desire whatever to remain in occupation of the Ruhr for a day after such guarantees had been given them. The French Government would be only too anxious to withdraw their troops from the Ruhr, and had no intention whatever of dismembering Germany in order to compel her to discharge her obligations.

MR. LLOYD GEORGE thought that this was a most important matter, and one which arose directly out of Count Sforza's opening remarks. He must, therefore, press M. Briand and ask him the precise meaning of his statement that the French Government did not wish to dismember Germany, but were anxious to withdraw their troops from the Ruhr as soon as guarantees had been given by the German Government that Germany would discharge her obligations. What was the sort of guarantee which the French would require before the French troops were withdrawn?

M. Briand said that it was impossible for him to say here and now what guarantees would be satisfactory. This would require further investigation. The German Government found it convenient to have long discussions and disputations with the Reparation Commission, but the time for these had now passed and the time for action had arrived. The Reparation Commission would, however, fulfil a most important part in the French programme. It would, no doubt, be necessary for the experts, technical and financial, combined with persons skilled in the conduct of industry, to find

the necessary guarantees, and he felt confident that the Reparation Commission, in collaboration with experts of the kind he had mentioned, would reach a solution. He wished to impress on Mr. Lloyd George and the other Allies the fact that the French Government disliked the idea of occupying the Ruhr, and would be only too glad to get out of the district as soon as possible; it was, in fact, a mousetrap. The Allies could rest assured that France desired to get out of the Ruhr as quickly as possible, that is to say, as soon as she was satisfied of Germany's good faith.

Mr. LLOYD GEORGE requested Count Sforza to proceed.

Count Sforza said that, in order to reach a general view of the situation, he wished to inform the conference that he was in the most complete agreement with much that M. Briand had said. In particular, M. Briand's remarks about the danger of a revival of military sentiment in Germany awoke keen sympathy in the mind of the Italian Government, which had to fear a similar state of things from her late opponents. He had carefully examined the whole position, and had endeavoured to reach some solution which would be for the benefit of all the Allied countries and for Europe as a whole. It must be remembered that the present unsettled state of Europe was reacting in different ways in different countries, and in some respects Italy was in a different position from the other Allies. The Italian Government had given support to the French proposals at Spa, Paris and London. He was not quite satisfied that M. Briand would find the occupation of the Ruhr as easy a matter as he (M. Briand) at present contemplated. It might be a very expensive affair. The conference must remember that the financial situation of Italy had been one of gravest anxiety to the Italian Government. Italy had been bled white by the war, but there had been a most marvellous revival, and the deficit last year of 14 milliards of lira [sic] had been reduced to a deficit of 2 milliards this year. The Italian people could hardly believe that the financial situation had ameliorated, and feared very much lest any new adventure would result in a return to the old position. Moreover, Italy had no coal.

MR. LLOYD GEORGE, intervening, reminded Count Sforza that Italy had the sun.

COUNT SFORZA, resuming, said that if there was trouble in the Ruhr this might have reactions in Italy. The conference would appreciate, from what he had said, the difficulty confronting the Italian Government and the Italian people. It was therefore necessary to find a formula, and he would suggest that the question of the imposition of the sanctions should be referred to the Reparation Commission.

M. BRIAND and M. LOUCHEUR signified their dissent from this proposition. Count Sforza reminded the conference that the other Allies had been asked to adopt a sympathetic attitude towards the occupation of the Ruhr, but he must mention that a doubt remained in his mind as to the wisdom of this course, and, after all, it was better that one should be confident as to the correctness of one's actions rather than that one should have any doubts about them.

M. JASPAR said he thought the conference should take a resolution as soon as possible, because he felt that, if the Allies did not bring pressure to bear upon Germany, the situation would get worse and worse, while resolute action at the present moment would clear up the whole position. In his opinion Germany had definitely defaulted under three heads. This being so, he felt bound to say that he saw no other solution than the one which had been proposed by M. Briand. In the first place, Germany had defaulted as regards disarmament. This was a question where the attitude of Belgium must be very similar to the attitude of France. Belgium was a peaceful country, wishing to pursue her industrial future and wanting Germany to carry out the provisions of the Treaty of Versailles and of the protocols signed at Boulogne and Spa. In this connection the recent speech by the Prime Minister of Bavaria had a very ominous sound.²⁵ Secondly, Germany had defaulted as regards war criminals. The Allies in this matter had given Germany every possible opportunity, and had made all sorts of concessions; yet nothing had been done, and it seemed probable that without pressure nothing would be done. Thirdly, Germany was manifestly in default in regard to reparation. The Treaty of Versailles had laid down the general proposition that reparation should be obtained by the Allies along the paths of conciliation and consent. Belgium was particularly in favour of obtaining reparation by conciliatory and pacific measures, but had been forced to realise that she had before her a debtor who could, but would not, pay. Conciliation had given the Allies nothing, and the German Government had put forward no really serious new proposals. Having regard to the nature of the ultimatum given by the London Conference and the sanctions then imposed, it was impossible for the Allies to withdraw. If one was a doctor and had a patient who was slowly dying, and in whose case all possible medicinal remedies had been tried without success, one was obliged, in the end, to call in the surgeon and perform the operation. This, to his (M. Jaspar's) mind, represented the true position as regards Germany at the present moment.

With regard to the operation itself, namely, the occupation of the Ruhr, he (M. Jaspar) was confident that it must be carried out by the Allies so that Germany should see that the Allies were in complete agreement among themselves. The occupation, in other words, should be of an international character. Then there was a question as to whether the occupation would bring in the necessary funds. He himself did not believe that it was possible by exploiting 4 millions of the people to persuade 60 millions of people to pay if they did not want to do so. He therefore regarded the occupation of the Ruhr as a means of pressure, but such pressure should not be isolated in order to be effective; it should be accompanied by an economic blockade of Germany, and he instanced the setting up of a blockade on the frontiers of Germany, or, at all events, a blockade of the German ports. Comprehensive measures of this character would make the Germans give in in a short time.

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²⁵ In a speech in the Bavarian Diet on April 12, Herr von Kahr had once more stated that Bavaria refused to disarm the Einwohnerwehr; see *The Times*, April 14, p. 9.

Then as regards the future. He welcomed M. Briand's assurance that there was no intention of dismembering Germany, and that the Allies would withdraw as soon as adequate guarantees had been obtained. This represented the policy of Belgium. Had he doubted for a moment that this was not [sic] the policy, he would not have been present at the conference. So far as Belgium was concerned, as soon as the measures were effective and Germany had produced guarantees, the troops would be withdrawn, but the guarantees must be real ones. Belgium, he reminded the conference, was the country of the 'scrap of paper.' In the scheme proposed the Reparation Commission could play its part. It could fix the means and methods of payment; it could indicate how the various mortgage arrangements could be settled. When this had been done, and when the Allies had real documents in their hands, the troops could be withdrawn.

MR. LLOYD GEORGE enquired whether M. Briand [? Jaspar] meant that the Allies should march into the Rulir before the Reparation Commission had told the Germans how they were to pay the sum fixed, and the Reparation Commission was then to negotiate with the Germans while the troops were in occupation, or did he mean that the Reparation Commission was first to say how Germany was to pay. Germany was then to be given time for consideration, and then, if she failed to provide the necessary assurances and guarantees, the Allies could occupy the Ruhr.

M. JASPAR said 'No'; the latter was not his point of view. He was speaking with special reference to the conditions under which the troops occupying the Ruhr would be withdrawn. He was in favour of an immediate occupation of the Ruhr because of the three definite defaults by Germany, namely, defaults on the subject of disarmament, criminals and the 12 milliards of reparation. As regards these defaults, the legal position of the Allies was clear.

MR. LLOYD GEORGE said that he could not agree at all. In his view the legal position of the Allies was very dubious indeed. He must make this perfectly clear to the conference.

M. Jaspar, continuing, said that the Reparation Commission would be invited to fix the guarantees. It was open to the Government[?s] to suggest control of such matters as coal, German customs, German debt, and German currency operations. To sum up, he would say that conciliation had been tried and failed. Therefore it was necessary to employ sanctions. Hitherto the sanctions had not been effective, and Germany continued in default in the matters of disarmament, criminals and reparation. It was necessary as regards reparations that the Allies should be satisfied and that the decisions of the Reparation Commission should be accepted; when this was done the troops should be retired. The reason for pressure was three-fold; when on the three points the Allies had been satisfied, the occupation should cease.

BARON HAYASHI said he had listened with great sympathy to M. Briand's remarks, and, so far as he was concerned, he was prepared to fall in with any plan which commended itself to the conference as a whole. He wished, however, to make enquiries on one or two points. If the Allies increased their occupation of German territory, and if Germany offered no resistance

and did nothing as the result of such increased occupation, what was to be the next step? Further, assuming the taxes were imposed according to the French plan, may not the result be that the whole burden would fall on the consumers in Germany and in Allied countries? Was it really possible for the Allies to attain their objective by the measures proposed? The increased occupation would require four or five divisions, and he assumed he was right in understanding that the expenses of these troops were to be borne by Germany.

M. Briand said that he would gladly reply to these questions. He reminded the conference that it was impossible for the Allies to estimate the effects of any coercive measures which they might have to employ. There was, however, no case in history known by him where, as in the present case, the victorious people had been held in check and flouted and thwarted by the conquered and where the vanquished had been able after so long a period to escape from all the consequences of defeat in war. Sanctions and the threats of sanctions had moved Germany in the past and would move her again in the future. The French Government know that well enough, and also know that, when the Allies are in possession of the Ruhr and Essen, Germany will be effectively controlled. It will then be possible to put a tax on German coal, the cost of which will be borne no doubt by the consumer. The collapse in German exchange had produced the paradoxical result of cheapening German coal in Germany. All that the Allies would therefore be doing by putting on the tax would be to bring the cost up to the level of coal prices in other countries. Naturally, he could not say how much the proposed tax would produce; that was a matter for the experts, but it would doubtless produce something. In any case, the costs of the army of occupation would be borne by Germany. M. Briand added that in a recent debate in the Reichstag a member had had the temerity to contrast his (M. Briand's) ferocity with the clemency displayed by Bismarck in 1871.26 Bismarck, he would remind the conference, was the author of the famous threat to treat France like an artichoke and tear off one province after another until she paid the indemnity imposed on her in 1871.27 There were not two solutions; either the Allies must resign themselves to acquiesce in and accept Germany's defiance, or they must act in the way France proposed.

Mr. Lloyd George said that, if the remarks made by M. Jaspar really represented the policy of the French Government in this matter, a very serious situation had arisen as between the Allies, and it would be necessary for him to consult with his colleague, the Secretary of State for Foreign Affairs, before laying the view of the British Government before the conference; he would not, therefore, say more at the present moment.

(The conference adjourned for tea at 5.10 p.m.)

²⁶ The reference is to a speech on April 28 by Dr. Stresemann, leader of the German People's party and chairman of the Reichstag Committee on Foreign Affairs; see Deutscher Geschichtskalender, Inland I, Januar-Juni, 1921, p. 315.

²⁷ Charles Emmanuel III, King of Sardinia (1730-73) is reputed to have said that he would devour Italy like an artichoke, leaf by leaf; this Bismarckian echo of his remark has not been traced.

(The conference resumed after a short interval.)

MR. LLOYD GEORGE said that he had listened to M. Briand, and had thought that he was in general concurrence with his point of view, but he had not clearly understood him. M. Jaspar had made the position quite clear. If the policy proposed to the Allies were that put forward by M. Jaspar, he and his colleagues would require much more time for reflection and he would have to consult the latter, and could not hold out any prospect of their being likely to assent to the proposition. What was proposed? The Reparation Commission had just adjudicated, as by the treaty they were bound to by the 1st May. They had even anticipated. There had been no delay on their part. They had examined the claims of the Allies and had heard Germany. Their award had only been given two days ago.

SIR JOHN BRADBURY interposed that the award had been announced at 9 p.m., Wednesday, the 27th April, and a telegram had been sent to Germany immediately.²⁸

MR. LLOYD GEORGE, continuing, said that Germany had, therefore, only just heard the decision. But there was more than that. The Reparation Commission had still to adjudicate in the modalities: the times and conditions of payment. Everybody knew that Germany could not pay 132 milliards forthwith. Probably no country in the world could do so. Therefore, the second part of the duty of the Reparation Commission was as important as the first. Such were the terms of the treaty (article 233) and, in defiance of the treaty, it was proposed to march into Germany and there to wait while the Reparation Commission were considering at what time and in what manner Germany was to pay. Such a proceeding would be an offence to public opinion in all civilised countries and to all sense of decency and fair play. The war had been won partly by the help of the public opinion of the world. Now the process was reversed, and we seemed determined to set the world against us. On the 30th April, M. Jaspar was proposing the execution of the criminal before the commission of the crime. It was possible his (Mr. Lloyd George's) colleagues would not take the same view as he did, though that would very much surprise him, and he would have thought that the Allies should decide to wait until the Reparation Commission had made up its mind as to the conditions of payment and announce[d] its decisions thereon. It was no use talking about the Paris resolutions. M. Briand had declared that the French were not bound by them, and that they would go back to the treaty, but the treaty only said that Germany must pay by the 1st May, and that date had not arrived.

M. Briand interposed, during the interpretation of Mr. Lloyd George's speech, to deny that he had said France did not hold to the Paris resolutions. So far as Germany was concerned, as the ultimatum had been given and the offer had been refused, France no longer considered herself bound, but with regard to her engagements with the Allies, he considered that the Paris resolutions held good until the 1st May, and in the debate in the French

28 Cf. n. 17 above.

Chamber had refused to follow an interpellation of M. Tardieu on that point.²⁹

MR. LLOYD GEORGE, continuing, said that as to disarmament he had taken a strong view at Spa, when he thought the matter vital. The Germans had too many rifles and guns, and he had agreed to the occupation of the Ruhr unless Germany reduced her armaments, which were a formidable menace to France and Belgium. Since then, while he did not say that they had completely carried out the treaty in this respect, it was impossible to say they had done nothing. They had surrendered 31,513 guns, great and small, which had made her a formidable antagonist. M. Briand mentioned 1,000 guns in Bayaria, but he doubted whether Germany had so many guns altogether as Czechoslovakia, and certainly not so many as Poland. He doubted whether they had so many as Belgium. Germany must carry out the treaty, and had no right to have 300,000 rifles, 1,000 guns and 300,000 Einwohnerwehr.30 To say that Germany was a formidable menace with 1,000 guns and a few machine guns, while France had 50,000 guns and enormous equipment, was contrary to good sense. If Germany refused to carry out her obligations under the treaty and the directions of the Reparation Commission, he agreed that would be a justification for marching into the Ruhr or anywhere else where the submission of Germany could be effected, and in that event he would include conditions of disarmament and the punishment of criminals. It must not be forgotten that in the last respect France and Belgium were most culpable of delay. The Allies had been slow in supplying evidence, lists of witnesses and a statement of charges.³¹ Germany was delaying now, but had not been so slow as the Allies, and so far as related to delay, on the question of the trial of war criminals the chief blame rested on the Allies. To assent to the forward march of the armies on the 1st May, and to seize the coal mines because Germany had not carried out conditions of which she had not yet been informed because the treaty had not begun to operate, would be a perfect outrage which he could not defend, and if that position were maintained he would have to consult his colleagues. He sincerely trusted that the atmosphere of M. Briand's speech would prevail, and not that of M. Jaspar. He was prepared to go on discussing what demands should be made on Germany, as to the method of payment, and how the figure should be arrived at. If Germany would not agree he was prepared, on behalf of the British Government, to agree on any step that might be necessary to compel her to do so. British resources, both naval and military, so far as available, would then be at the disposal of the Allies if Germany refused to give guarantees. To march before the Germans had been told what to do he could not consent to. He had thought it better to speak plainly, in order that any misunderstanding should be avoided.

²⁹ The reference is to the debate on April 26; see n. 18 above.

³⁰ Cf. No. 73; these figures applied to Bavaria. For M. Briand's figures relating to Germany as a whole, see No. 79 below (pp. 522-3).

³¹ For earlier documents on this subject, see Vol. VIII, No. 20, Appendix 11, Vol. IX, Chap. VIII, and Vol. X, pp. 322-48 passim.

M. Briand thanked Mr. Lloyd George for having spoken with such complete frankness: if he was tempted to regret it this was only because such frankness gave the appearance of very grave divergences of view among the Allies. He would endeavour to speak the language of a sensible, quiet man reflecting on a matter with all the seriousness it deserved. The agreements already reached between the Allies were not scraps of paper, but were matters of very real substance. When a resolution had been taken and published it was a serious matter not to give effect to it. At Spa the French Government had been called upon to make grave concessions on the subject, for example, of coal deliveries: there had also been the question of disarmament, but the conference had decided that if the new conditions were not complied with it would proceed with the occupation of the Ruhr.³² But the conditions had not been satisfied, at least in their entirety, and the Germans had asked for fresh delays: at Paris the military advisers of the Governments had made a proposal which had been unanimously accepted.³³ Without doubt had one considered that the matters stated were serious, such as the question of the handing over of war material or the problem of the Einwohnerwehr, then it had been foreseen that if the conditions laid down were not satisfied, the Allies should occupy the Ruhr. This resolution had been so clearly recognised by public opinion in the Allied countries. The German people, M. Briand thought, had taken the question very seriously. The Germans realised that these were not mere words. He thought that one must recognise that France in particular had the right to lay down certain propositions. To-day it would be contrary to good sense in stating that Germany had refused to give effect to the new decisions.34 It no longer remained only a question of applying the sanctions. The French people knew that the sanctions had been held up. When one told these matters to one's people it could not take them lightly, and it would be impossible to admit to France that all this action had not been serious. After the declarations which had been made by M. von Kahr in Bayaria, M. Briand knew the kind of reception he would have from the French Parliament if he was willing to adopt the attitude which had been suggested to him.

The Prime Minister said truly, 'the treaty requires the Reparation Commission to fix the German debt. It has not yet fixed the methods of payment.' But this was no new thing. At Paris it had been foreseen that this would be the case. It was said that the Germans knew well that in spite of the decision of the Reparation Commission they would still be able to carry out their policy. In a debate in the Reichstag Dr. Simons had replied to the decision of the commission.³⁵ How could it be supposed that Germany could still

³² See Vol. VIII, No. 77, n. 3 and No. 52.

³³ See No. 11, Appendix 2 and No. 12, n. 2.

³⁴ This sentence is printed as in the original.

³⁵ The reference may be to the Reparation Commission's decision to demand the transfer by the German Government of the whole of the Reichsbank's metallic reserves to the Branch offices of the Reichsbank at Cologne or Coblenz (see Reparation Commission Report (1920–22), p. 21). In the debate in the Reichstag on April 28 (as reported in The Times, April 29, p. 9) Dr. Simons said that 'the Government considered this demand contrary to law'.

maintain her good sentiments? The Paris Agreement amounted to a reduction of the Allied claim. It was inferior to the valuation of the Reparation Commission. How could it be thought that Germany would accept the greater when she had refused the less?

Some days ago Dr. Simons had asked in a note to America that Germany's capacity to pay should be assessed, not by the Reparation Commission, but by international experts.³⁶ This would be, he said, a great advantage for Germany. Why was it thought that Germany would accept to-day what she had rejected yesterday? This was not all. Germany was in a constant state of defiance as regards the Reparation Commission. She had been notified of her obligation to pay the debt of 12 milliards by the 1st May. She had refused. She had been invited to pay 1 milliard. She had equally refused.³⁷ In the presence of all these defaults one could not say that the Reparation Commission ought to work in the air in fixing the annuities, and perhaps after some weeks Germany would kindly consent to a discussion. If the occupation of the Ruhr was not possible why discuss it? This was Germany's rôle after having deliberately violated the treaty, to discover suddenly that difficulties existed. One must be under no illusion. If the Allies yielded in the present circumstances German resistance would be more strenuous than ever. For his part M. Briand could not accept such an eventuality. He had made certain formal declarations in the French Parliament. He must conform to these declarations. The time for action had come.

Doubtless this was a difficult time. It was more difficult in the case of France than in the case of any other country, since France must make a very considerable effort and must call up a class to the colours. M. Jaspar had not overstated the French point of view. It had already been agreed in London that the occupation should cease when the conditions as regards disarmament, reparation and the punishment of war criminals were fulfilled satisfactorily.³⁸ He (M. Briand) still hoped that his British friends and Allies would give France their support in this difficult hour.

MR. LLOYD GEORGE said that, as he understood it, M. Briand said that France was prepared to undertake the task alone.

M. BRIAND dissented.

MR. LLOYD GEORGE, continuing, said it was true that M. Briand had not said so in so many words, but, if that were his meaning, there was nothing more to confer about. If M. Briand had come to say that the French Government intended to act whether the British Government consented or not, he must consult his colleagues, and if there was any change in the view of the British Government he would let M. Briand know. Occupation was proposed in anticipation of the action of the Reparation Commission and of a state of default. Disarmament had been one of the grounds of the occupation of Duisburg and the setting up of the Rhine customs barriers. There had been no

³⁶ This request had been made in the Berlin note of April 24-25 transmitting the text of the German reparation proposals, see n. 16 above.

³⁷ See No. 70, n. 8.

³⁸ See No. 50.

fresh failures. The failure to pay the gold marks demanded by the Reparation Commission had been before the London Conference. The proposal to occupy the Ruhr was something new, in respect of a future failure which had not yet taken place. If he and Lord Curzon were to consent to occupy the Ruhr before the conditions of payment had been presented to the German Government, the British Parliament and public opinion would not support them in such action. He must therefore consult his colleagues and inform M. Briand of the result.

M. Briand replied that his remarks had not been understood. He had said that the time had come for action, and it would be a difficult time for France, and, indeed, for all the Allies, meaning that it would be all the more difficult for France, as she would have to take the action of calling up a military class in order to bring pressure to bear upon Germany. He stood by his proposals, and did not think that M. Jaspar had exceeded his views. The occupation would cease immediately on payment, and he hoped the Allies would kindly come to his assistance at this difficult moment.

COUNT SFORZA said that he was asking himself whether the preoccupations of France in the matter and the imperative duty of the French Government in face of the French public could be harmonised by the Reparation Commission starting immediately on its work of defining the plan of payment and guarantees for payment. The demand of the Allies in case of non-acceptance should be immediately to enforce the sanctions.

MR. LLOYD GEORGE said that he was delighted to hear that he had placed a wrong interpretation on M. Briand's words, though they were capable of the meaning he had assigned to them. There could be nothing more serious than disagreement among the Allies. He had already done a good deal against the face of public opinion, and he would like the conference to realise it. He had that afternoon received a protest from leading London bankers about the action contemplated in the Ruhr Valley. The protest came from men of all parties, and indicated a growing resistance against precipitate action. If he was to carry his country in support of the strong action proposed, he must convince them that no other action was possible; and, if he were to follow the course proposed by M. Briand and M. Jaspar, the British public would not be satisfied, and would say that he was more anxious to pick a quarrel with Germany than to enforce the treaty. That would be most unfortunate, because it would be the beginning of a growth of sympathy with Germany in European public opinion which would be fatal to the Entente and to France. He therefore entreated M. Briand and M. Jaspar to reconsider the grave decision they had announced, and meanwhile he would confer with his own colleagues. There was one other matter. M. Briand had suggested that the problem of the fixation of annuities by the Reparation Commission would take weeks, if not months. He was assured that it would only take fourteen days, and that it need not take that time if the Reparation Commission had the assistance of the Allied Governments.

M. Briand stated that if there were the slightest chance of inducing the French to believe that Germany, after refusing the Paris offer and after Dr.

Simons had said that the reparation figures were exorbitant, would nevertheless accept, it would be a different matter; but nobody in France would take that proposal seriously; and, if he had to go back to France in such conditions, he would simply have to resign and leave the matter in other hands. He himself had taken the sanctions agreed on in London and Paris seriously.

LORD CURZON enquired what ground M. Briand had for saying that Dr. Simons had repudiated the figures of the Reparation Commission, since those figures could only have just reached him.

M. Briand said that Dr. Simons must have heard the figures on the night of Wednesday, the 27th April. The experts had tried hard for Wednesday, and he was under the impression that Dr. Simons knew. Inasmuch as the Germans knew that the Allies were then meeting and were contemplating an ultimatum and a date, and if they had it in mind to meet us, they would have done so, and would not have refused to communicate with the Reparation Commission, as they had done.³⁹

SIR JOHN BRADBURY interposed that the refusal of the Germans to communicate with the Reparation Commission was not an absolute one, but only pending the meeting of the present conference.

M. LOUCHEUR interposed that on Thursday⁴⁰ there had been an answer from Dr. Simons to Herr Streseman[n] in the Reichstag, showing that he knew the figure of the Reparation Commission.

M. JASPAR said that as a lawyer he would not like to remain under the indictment of Mr. Lloyd George that he had proposed to apply a penalty before the crime had been committed. He would shrink from such a charge. He believed that the present default of Germany was sufficient justification for the action proposed, and it had been thought so at the London Conference, but he did not propose to pursue that, and he asked the Allies to consider whether there was not some means of coming together. Belgium set a high price upon the maintenance of the entente and the furtherance of the cause. He appreciated Mr. Lloyd George's scruples, that if you fell back upon the treaty you must apply it in its entirety and ascertain the default of Germany, but it would be possible to decide on the sanctions and give a short period of time for the Reparation Commission to consider the method and time of payment, and, if Germany did not accept the conditions, the sanctions could be put in operation. That would have the advantage of giving satisfaction to both points of view. It would be of importance to M. Briand and himself that delay would be avoided. It would be of importance to Mr. Lloyd George that the action would be founded on the treaty. He would ask for serious reflection on this suggestion and perhaps on the following day it might be possible to come to a satisfactory agreement.

³⁹ The reference appears to be to the note sent to the Reparation Commission on April 28 by the German War Burdens Commission declining the former's proposal for a meeting on April 29 to consider the new reparation proposals in accordance with the second para. of Art. 233 of the Treaty of Versailles. (This read: 'This Commission shall consider the claims and give to the German Government a just opportunity to be heard.'). For an extract from this note, see Deutscher Geschichtskalender, Ausland I, Januar–Juni 1921, pp. 340–1.

⁴⁰ April 28.

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COUNT SFORZA said that it seemed to him that M. Jaspar's proposal was a very good one and exceedingly like the proposal he himself had made. M. Briand had just asked how it was possible to hope that Germany would accept the plan of the Reparation Commission. In theory, at least, such a possibility existed. In effect, the Paris Agreement, which was not accepted, was in a crystallised form and immutable, but, on the contrary, the Reparation Commission, according to the treaty, could either reduce the claim that had just been fixed in order to meet the capacity of Germany to pay, or from time to time could revise the payment imposed in accordance with such capacity. The hope, therefore, that Germany would accept still existed.

Mr. LLOYD GEORGE said that the position appeared to him to be as follows:—

The Reparation Commission had actually adjudicated on the claims of the different Governments, but had not adjudicated on the method of pavment. It was important to remember that the commission arrived at a unanimous decision on the claims, and, this being so, it was not out of the question that they should reach some decision on the question of the amount which Germany must pay. It must not be assumed, as M. Briand had been assuming throughout the meeting, that the Paris terms would necessarily be less than the finding of the Reparation Commission on the amount to be paid by Germany. He (Mr. Lloyd George) stood by the treaty, and he could not over-emphasise the bad effect that would be produced in Allied countries and the encouragement which would be given to the German Government if the news was to leak out that the Allies were in disagreement. He therefore suggested that the experts should hold a meeting to-night and discuss the question of the nature of the guarantees to be imposed on Germany and the method of payment, taking the figure fixed by the Reparation Commission as a basis, and seeing whether agreement could not be reached. If the Allied Governments could reach an agreement, it would no doubt not be binding on the Reparation Commission, but it was not impossible that that commission might adopt such agreement. A decision could be reached in three days. could then be sent to Germany, and the German Government might be given a few days in which to formulate an answer. The discussions which had taken place up to the present time between the experts had been hopeful, but the Italian experts had not then arrived, and it was therefore essential that the whole of the experts should hold a meeting. He had perused a plan that morning which seemed to him a hopeful one. 41 If agreement was reached. it would be possible to take action within the four corners of the treaty on which the British Government took their stand. Action not based on the treaty could not be contemplated by the British Government. He (Mr. Lloyd George) would make a further suggestion. There was nothing to prevent the French Government, in anticipation of a default by Germany, calling up its class which would then be ready to march at the end of, say, ten days, which was the limit of time for reaching an agreement between

⁴¹ A reference presumably to the financial experts' scheme mentioned in No. 73.

the Allies and the Reparation Commission and communicating it to Germany as an ultimatum.

M. Briand said that with all sincerity he could not help mentioning, what he felt sure every member of the conference might at heart be satisfied about, namely, that Germany would not accept the decision of the Reparation Commission. No one could seriously hope for such a solution. If Dr. Simons stood alone an agreement on this basis might be reached, but the forces behind Dr. Simons would effectively prevent any such result. However, he would like to have some time for reflection. The matter was one which obviously required most careful consideration. In the meanwhile, he agreed that the experts might meet and discuss the position.

Count Sforza said that the meeting of experts would prevent rumours spreading abroad.

MR. LLOYD GEORGE said that it was no use the conference reassembling until after the experts had either agreed or disagreed.

M. Briand wished at least to know whether Mr. Lloyd George was ready to agree that the 1919 class should be immediately summoned to the colours. It was not possible for him to postpone the contemplated pressure which ought to begin on the 2nd May.

MR. LLOYD GEORGE thought that this would be very misleading to Allied public opinion, which would assume that the conference was agreed on the occupation of the Ruhr Valley, which, however, was not the case. It was much better to wait and see whether the experts could reach some agreement, and, if so, mobilisation might then begin. He would certainly have to meet a fierce outburst in the press if it were known that the French class had been called up.

M. Briand repeated that he must have time to reflect on the principle of the proposal made by Mr. Lloyd George. In the meantime, as he had already indicated, he had no objection to the consideration of the matter by experts.

The conference agreed:—

- (i) That the Allied experts should meet in the Board Room, Treasury Chambers, at 9.30 p.m., on the evening of the 30th April, 1921.
- (ii) That, if necessary, a meeting of the conference should be summoned at 11 a.m. on Sunday morning, the 1st May, 1921, at No. 10, Downing Street.

(A copy of the agreed press communiqué is attached (see Appendix)42)

2, Whitehall Gardens, April 30, 1921.

42 Not printed: the communiqué was printed in The Times, May 2, p. 8.

1.C.P. 192] British Secretary's Notes of an Allied Conference held on Sunday, May 1, 1921, at 10, Downing Street, S.W., at 11 a.m.

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister (in the Chair); The Rt. Hon. A. Chamberlain, M.P., Lord Privy Seal; The Rt. Hon. the Earl Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; SECRETARIES, Sir M. Hankey, Mr. Howorth.

France: M. Briand, President of the Council; M. Loucheur, Minister for the Devastated [sic] Regions and Reparations; M. Berthelot, Secretary-General of the Foreign Office; SECRETARIES, M. Massigli, M. Chastenet.

Belgium: M. Jaspar, Minister for Foreign Affairs; secretary, Viscount Davignon.

Japan: Baron Hayashi, Japanese Ambassador in London; secretaries, Mr. Saito, Mr. Yoshizawa.

Italy: Count Sforza, Minister for Foreign Affairs; Marquis della Torretta. Interpreter: M. Camerlynck.

Reparation by Germany

MR. LLOYD GEORGE said that he was not quite sure whether the conference was in a position to make any real progress. He had been informed that the experts had been conferring until late last night, and had resumed at 10 o'clock this morning, and were still at work. Until the experts could lay the result of their deliberations before the conference he (Mr. Lloyd George) felt dubious as to whether any useful purpose would be served by further discussion.

M. LOUCHEUR remarked that the experts would still require considerable time. Certain proposals propounded by the British experts were under consideration, and, so far, the Committee of Experts had worked up to paragraph 2, ten paragraphs still remaining for consideration.

M. Briand thought that it would be very desirable that the conference should have the whole report of the experts before them. He therefore favoured an adjournment.

COUNT SFORZA agreed with this view.

It was agreed:

To adjourn the meeting of the conference until 4.30 p.m. that afternoon.

2, Whitehall Gardens, May 1, 1921.

I.C.P. 192A] British Secretary's Notes of an informal discussion between certain Allied Delegates held on Sunday, May 1, 1921, at 10, Downing Street, S.W., at 11.15 a.m.

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister (in the Chair); The Rt. Hon. A. Chamberlain, M.P., Lord Privy Seal; The Rt. Hon. the Earl Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; Political and Financial experts, Mr. Vansittart, Mr. Kerr; SECRETARIES, Sir M. Hankey, Mr. Howorth.

France: M. Briand, President of the Council; M. Berthelot, Secretary-General of the Foreign Office; SECRETARIES, M. Massigli, M. Chastenet.

Belgium: M. Jaspar, Minister for Foreign Affairs; secretary, Viscount Davignon.

INTERPRETER: M. Camerlynck.

Mr. Lloyd George informed M. Briand that he had received very striking representations from the president of the Steel and Iron Manufacturers and other important representative bodies in Great Britain strongly deprecating any immediate action such as was now proposed by the French Government. He (Mr. Lloyd George) was more and more convinced of the necessity of guiding public opinion in Great Britain in such a way as would bring public opinion to the support of the British Government if it became necessary to join with the French Government in the proposed occupation of the Ruhr. It was quite certain that an immediate occupation of the Ruhr, without any notice to Germany, would throw the whole of the industrial and financial interests of Great Britain into strong opposition to the Government. The British Government could not contemplate taking action in defiance of British public opinion, and it would be most deplorable if the alliance were to break down because the French and Belgian Governments would not permit the British Government to guide British public opinion in their own way.

MR. CHAMBERLAIN added that he had seen a letter from the Federation of British Industries which was the most important and powerful association of leaders of industry in Great Britain, also deprecating any action by the British Government which would have the effect of increasing the present industrial and financial world crisis.

M. Briand said that he personally was disposed to give Germany a little more time (a fortnight seemed a small matter after the months already wasted), but French public opinion would not tolerate more delay. It was only with the greatest difficulty that he had succeeded in persuading French public opinion to wait until the 1st May. French public opinion has come to regard the 1st May as a mystical date on which something of the most supreme importance to France must happen. He (M. Briand) has succeeded

in obtaining a majority in the French Chamber by pledging the French Government to take action on the 1st May, and to refuse any further delays.1 If the French Government allowed the critical date to pass without taking measures against Germany, it would not get fifty votes to support its policy in the Chamber. The British financial and industrial interests were, he thought, labouring under the misapprehension that the French Government intended to take permanent possession of the Ruhr Valley and to exploit the coal without any regard to the general world situation. This, he repeated, was not the intention of the French Government. Even if France consented to wait for a fortnight, he was convinced that Germany would do nothing in the interval, and they would again be faced with the same situation. So far as the industrial and financial interests were concerned, any disturbance of peace would have the same effect, whether it took place now or a fortnight hence. Germany throughout all these discussions was always seeking to gain time, and to divide the Allies—unhappily with some success. She might, no doubt, accept Mr. Lloyd George's proposal 'in principle.' More time would be wasted, but he (M. Briand) would be given no respite. As soon as he returned to France the French Chamber would proceed to bring about his downfall. The situation was very painful for him. It would be a most cruel fate if he, of all men, was to be the man who should fail to keep the alliance intact; but, he repeated, he was convinced that if he now returned to France without those assurances which he had hoped to obtain in London the situation would be worse than ever.

MR. LLOYD GEORGE said that, of course, M. Briand knew French public opinion and the French political situation far better than he could know it. He, however, could hardly believe that the French Chamber would be so unwise as to turn M. Briand out because the British Government had asked to be allowed to carry British public opinion with it and for that purpose desired a delay of fourteen days. If M. Briand were to be overthrown, he (Mr. Lloyd George) assumed that the French Chamber meant that M. Poincaré² should succeed him. Was M. Poincaré to be brought in, not to defy Germany, but the Allies of France? Such an act could only be construed by Great Britain as an act of defiance. If this was what the French Chamber proposed to do, then he (Mr. Lloyd George) could only say that the alliance was a dangerous alliance. But he did not for a moment believe that the French Chamber would take any such action.

MR. CHAMBERLAIN remarked that last week the British Government had had the greatest difficulty in preventing a discussion of the whole question in the House of Commons.³ The House of Commons undoubtedly wished for a discussion in order that the British delegates at the conference might be given strictly limited powers. If a discussion had taken place, it would have revealed the strongest possible opposition to the French policy. This opposi-

¹ See J.O., Chambre: Débats, March 17, p. 1300. The voting was 491 in favour of the government, 66 against.

² Former President of the French Republic; cf. No. 30, n. 6.

³ See e.g. 141 H.C. Deb. 5 s, cols. 3-6 (April 25) and cols. 342-5 (April 28).

tion would have come not only from the parties which usually opposed the Government, but from large sections of the Government's own supporters.

M. Briand said that he did not think that it was impossible to reconcile the two points of view, and he would like to have time for consideration, with a view to seeing whether he could not work out some formula which would at the same time satisfy British public opinion and enable the present French Ministry to remain in office. He would try and bring some formula with him at 4.30 that afternoon.

MR. LLOYD GEORGE said that the British Government had every desire to meet the French Government, but due regard had to be paid to British public opinion, which wanted to get away from the war atmosphere and to get back to a settled and normal state of affairs.

M. Briand said that he was so much in accordance with the views of the British Government that he had taken every possible precaution against the use of military measures. For example, he had avoided issuing any orders in council or proclamations regarding mobilisation, and had, by some straining of the French law, arranged to call up individuals from several classes and not a single class.

MR. LLOYD GEORGE said that he did not mind the sound of the keddle-drum [sic] being heard on the other side of the Rhine. This might, indeed, help the Allies by making the Germans more amenable to reason.

M. Briand remarked that he understood Mr. Lloyd George not to mind the sound of the keddledrum so long as that drum did not move for fourteen days. There was a saying in France about 'Johnny's rifle which was always loaded, but never went off.'

MR. LLOYD GEORGE said that he meant that the kettledrum should stay in the Place de la Concorde. He wanted to set a time fuse. The French should not be misled by certain important English newspapers which tended to reflect the state of feeling in France and not that in Great Britain. Here the feelings engendered by the war were cooling down. France was like a volcano which continued to eject fire and flames, England resembled a volcano which was no longer active and whose lava had cooled. It was difficult to understand the attitude of mind of a man like M. Poincaré.

M. Briand observed that if such was the attitude of an experienced statesmen [sic] it was easy to understand the state of mind of younger men.

2, Whitehall Gardens, May 1, 1921.

No. 77

I.C.P. 193] British Secretary's Notes of an Allied Conference held at 10, Downing Street, S.W., on Sunday, May 1, 1921, at 4.30 p.m.

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister (in the Chair); The Rt. Hon. A. Chamberlain, M.P., Lord Privy Seal; The Rt. Hon. the Earl Curzon of Kedleston, K.G.,

Secretary of State for Foreign Affairs; EXPERTS, Mr. Vansittart, Mr. Kerr, Sir John Bradbury; SECRETARIES, Sir M. Hankey, Mr. Wicks.

France: M. Briand, President of the Council; M. Loucheur, Minister for the Devastated [sic] Regions and Reparations; M. Berthelot, Secretary-General of the Foreign Office; M. Doumer, Minister of Finance; SECRETARIES, M. Massigli, M. Chastenet.

Belgium: M. Jaspar, Minister for Foreign Affairs; Colonel Theunis, Minister of Finance; EXPERT, M. Bemelmans; SECRETARIES, Viscount Davignon, Viscount Terlinden.

Italy: Count Sforza, Minister for Foreign Affairs; Marquis della Tor-[r]etta; EXPERTS, Signor Galli, Signor d'Amelio, Signor Giannini.

Japan: Baron Hayashi, Japanese Ambassador in London; Mr. Kengo Mori; secretaries, Mr. Saito, Mr. Yoshizawa.

INTERPRETER: M. Camerlynck.

1. Reparation by Germany

MR. LLOYD GEORGE asked whether M. Briand had any document to present to the council.

M. Briand said that he had nothing to communicate, but he believed that the Belgian delegation had a suggestion to make.

M. JASPAR said that it would be recalled that he had thought it would be possible to come to an agreement, taking account of the necessities of each of the Allied Governments. He realised the necessity of the British Government to take into account a large part if [of] its public opinion, which was not accustomed to the idea of new measures and new pressure in the Ruhr Valley, and a certain time would therefore be necessary to familiarise them with the proposal. He also realised that the French Government must take into account the vast majority of French public opinion, which was asking for active measures. He thought it would be possible to reconcile these two points of view with two conditions: that a decision be taken now that measures should be ordered for the eventual occupation of the Ruhr; that preliminary measures should be taken, such as the concentration of troops and the calling up of classes, and that such action should be based on the fact that Germany had not fulfilled the obligations of the treaty in respect of disarmament, reparation, the trial of war criminals, and the payment of 12 milliards demanded by the Reparation Commission. On the other hand, the Reparation Commission should be requested to take decisions as soon as possible as to modalities and guarantees. Notification of these decisions should be made to Germany, who should be allowed time to give her answer pure and simple on this question. If Germany accepted, the measures decided on would be suspended. He was convinced that if the Allied Governments could agree on this plan it would give satisfaction to both French and British opinion, and would at the same time put an end to the state of uncertainty which weighed upon the whole world.

¹ See No. 74, p. 505.

M. Jaspar continued that he had prepared a paper, which he handed in. This was to serve as a basis for discussion by the Supreme Council, and, while he was fairly confident that it embodied the principle he had enunciated, the details were open to interpretation and modification.

M. CAMERLYNCK then read an English translation of the document (for which, see Appendix).

MR. LLOYD GEORGE said that he had only just seen the document, and, after a very short conversation with his colleagues, he felt that he would not like to refuse to give it full consideration, but, at the same time, it would commit him so definitely to two or three important proposals that he felt he could not be responsible for accepting in their present form without further consultation with the British Government. In matters of form he was ready to go a very long way in order to meet French public opinion. He was very glad to recognise the manner in which M. Jaspar had attempted to meet British and Italian public opinion, and gratefully acknowledged their [sic] readiness to take it into account. The document certainly showed a considerable progress. There was, however, one objection in substance, as well as in form, to which he must draw attention. The document constituted a blank cheque. According to it, whatever demand was made upon Germany, Germany must accept or the Allies would march. While it was impossible to assemble the Reparation Commission within twenty-four hours in order to fix the modalities, he felt confident that the Reparation Commission would not stand in the way if the Allied Governments were in agreement.

SIR JOHN BRADBURY interposed that, so far as he personally could judge—though, of course, he could not commit the Reparation Commission—if the Supreme Council agreed on a scheme the Reparation Commission would adopt it, provided they were satisfied that it was in accordance with the treaty.

Mr. Lloyd George continued that there must be agreement amongst the Allies in respect of the modalities before they decided to act. He suggested that the experts should continue their work and try and arrive at an agreement. In the meantime he would consult his colleagues on the form of the document submitted. He would like to know Count Sforza's view, since Italian public opinion was much the same as British, and at the same time he invited the views of Baron Hayashi as to the attitude of the Japanese Government. Incidentally, before he could agree to naval measures, he must know how he stood in relation to America. For example, if a blockade were imposed and it were necessary to seize an American ship, it would be disastrous unless the American Government were prepared to assent to a blockade. His main point, however, was that there must be agreement amongst the Allies themselves as to what they were going to demand from Germany. He was not suggesting that they should require America to assent to the demands upon Germany, but before imposing a blockade they must know that America would not object to it.

BARON HAYASHI stated that his Government was most anxious to prevent, if possible, any measure which might be found not to be agreeable to the

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majority of the Great Powers. That was all his Government desired, and therefore, before stating his opinion, he would wait to hear their final views.

Count Sforza said that he appreciated the spirit of conciliation which had been displayed, and he was anxious to co-operate on the same lines. The paper circulated contained an offer in principle which could be accepted on the whole by the Italian Government, except as to naval measures. Not only was he apprehensive as to the views of the United States of America, but also in regard to the blockade generally. He was prepared to agree to the occupation of the Ruhr, but the blockade was a terra incognita, which would require grave consideration.

MR. LLOYD GEORGE said that he concurred in the view expressed by Count Sforza. The British naval advisers were of opinion that a blockade could be enforced with comparative ease, because we already barred the Rhine at Cologne, and therefore there was no need to blockade Holland. It was only necessary to blockade Hamburg, Bremen, Lubeck and Stettin. The position was, therefore, technically simpler than during the war, and he would be willing to consider the possibility if an agreement could be reached on the essentials of the document. He would put to M. Briand and M. Jaspar two propositions: first, that the Allies ought to have an agreement as to what they were going to demand from Germany.

M. Jaspar and M. Briand signified their assent to this proposition, subject to a reserve by the latter that pressure should begin on the 2nd May, and that on the expiration of the delay of ten days necessary for the concentration of the troops the latter should enter the Ruhr if Germany had not then submitted.

MR. LLOYD GEORGE continued that, secondly, Lord Curzon was alarmed at the form of the document, and had pointed out two or three matters which disquieted him (Mr. Lloyd George). But the form was not final, and was open to discussion. At the same time, it must not be assumed that the British Government would adopt that form. He suggested that the experts should continue their work at 6.30 p.m., and that at the same time a drafting committee should be appointed to consider the form of the document. The Supreme Council could resume as soon as the experts had reached an agreement.

The conference concurred in the above suggestion, and appointed the following drafting committee:—

France.		•	•	•	M. Berthelot.
Great Britain			•	•	Lord Curzon.
Italy .		•	•	•	Count Sforza.
Belgium	•	•			M. Jaspar.
Japan .					M. Saito.

MR. LLOYD GEORGE said that in the meantime he would consult the British Cabinet, and it was agreed—

That the Supreme Council should meet again at 11 a.m. on the following morning, Monday, the 2nd May, 1921.

2. Communication to the Press

It was agreed-

That the only communication to the press should be that the discussions of the experts were continuing.

2, Whitehall Gardens, May 1, 1921.

Appendix to No. 77

Draft Submitted by M. Jaspar

The Supreme Council, taking note of the fact that, in spite of the successive concessions made by the Allies since the signature of the Treaty of Versailles, and in spite of the warnings and sanctions agreed upon at Spa and at Paris, as well as of the sanctions announced in London and since applied, the German Government is still in default in the fulfilment of the obligations incumbent upon it under the terms of the Treaty of Versailles both in what concerns disarmament and the trial of the war criminals, and in what concerns the payment of the 12 milliards of gold marks which fell due on the 1st May, 1921, and which the Reparation Commission had called upon it to pay at this date:

Decides that there is ground for taking at once the following measures:—

- 1. The Allied Powers decide to proceed to the occupation of the Valley of the Ruhr, to take all other military and naval measures that may be useful, and for this purpose to begin at once (from to-day) the calling up and concentration of the armed forces.
- 2. Desirous at the same time not to depart from the scrupulous observance of the treaty, the Allied Governments invite the Reparation Commission to fix, without delay, on the basis of article 233 of the treaty, the methods of payment of Germany's debt, as well as the guarantees destined to ensure this payment, and to announce them to the German Government on the 4th May at latest.

These measures will not be suspended unless the German Government shall, by the 8th May, have given a pure and simple acceptance, without reserve or conditions, to the decisions thus taken by the Reparation Commission, as well as to the measures of disarmament decided upon by the Inter-Allied Military Council, and shall have furnished the guarantees required by the Reparation Commission.

May 1, 1921.

No. 78

I.C.P. 193A] British Secretary's Notes of a Meeting of the Allied Drafting Committee held at 10, Downing Street, S.W., on Sunday, May 1, 1921, at 6.30 p.m.

PRESENT: British Empire: The Rt. Hon. the Earl Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs (in the Chair); SECRETARIES, Sir M. Hankey, Mr. Wicks.

France: M. Briand, President of the Council; M. Berthelot, Secretary-General of the Foreign Office; SECRETARY, M. Massigli.

Belgium: M. Jaspar, Minister for Foreign Affairs.

Italy: Count Sforza, Minister for Foreign Affairs; Marquis della Tor-[r]etta, Signor Galli.

Japan: Baron Hayashi, Japanese Ambassador in London; secretary, Mr. Saito.

LORD CURZON stated that the British Cabinet had discussed the document submitted by M. Jaspar, and criticisms had been offered on almost every part of it. These were mainly criticisms of form, but they made it necessary to proceed with extreme caution in drawing up a document of such great importance. In the first place, the document began by setting out three respects in which Germany had defaulted: Disarmaments [sic], the trial of war criminals, and the payment of 12 milliard gold marks. But Germany had made a large number of defaults in other respects, and it would be necessary to state this in a phrase without specifying in detail, in order that it should not be supposed that the list given was exhaustive. In regard to the 12 milliards, it was doubtful whether it could be said that Germany was in default on the 1st May. She had certainly defaulted in respect of one milliard, but the legal position with regard to the remainder was doubtful.

With regard to paragraph 1—

'The Allied Powers decide to proceed to the occupation of the Valley of the Ruhr, to take all other military and naval measures that may be useful, and for this purpose to begin at once (from to-day) the calling up and concentration of the armed forces'—

it had been suggested by the British Secretary of State for War, that this might be thought to apply to British armed forces, which would cause alarm and consternation in this country, although the only object was to permit the concentration of French and Belgian forces.

It was stated in paragraph 2 that the action contemplated was based on a desire not to depart from the scrupulous observance of the treaty, and the Allies should therefore be most careful to see that the document was strictly in accordance with the terms of the treaty. He did not think it was so. The paragraph stated that the Allied Governments invited the Reparation Commission to fix, on the basis of article 233, the methods of payment of Germany's debt, as well as the guarantees destined to ensure this payment; but the question of guarantees was not one for the Reparation Commission. Under article 233, guarantees would be fixed and undertaken by the Allied Governments, and not the Reparation Commission. The clause should be modified accordingly, in order to come within the terms of the treaty.

The concluding paragraph stated—

'These measures will not be suspended unless the German Government shall, by the 8th May, have given a pure and simple acceptance, without

¹ No. 77, Appendix.

reserve or conditions, to the decisions thus taken by the Reparation Commission, as well as to the measures of disarmament decided upon by the Inter-Allied Military Council, and shall have furnished the guarantees required by the Reparation Commission.'

Here, again, there was a question of form. It was not for the Reparation Commission to take the decisions, and it was not for the German Government to communicate its acceptance of the decisions. The Allied Governments would make decisions, and the German Government must either carry them out or fail to carry them out. Neither was it for the Reparation Commission to require guarantees. The sentence also appeared as if the Military Commission of Control had to do with disarmament, which was a matter for the Allied Governments and not for the Reparation Commission. The sentence would, therefore, require redrafting accordingly.

In all these respects it would not be difficult to arrive at a more correct form, and he had no doubt M. Jaspar would appreciate the difficulties confronting the British Government and continue to render his assistance.

There was a further criticism by the British Cabinet, as to the order of the paragraphs. In its present form, after setting out the default, the draft had put in the front the intention to occupy the Ruhr, and had proceeded as if it were a matter of secondary importance that in pursuance of the treaty the Allies would call on the Reparation Commission to discharge their duty, and that the German Government would be given a time to comply. The British Cabinet felt that a better arrangement would be that a reference should be made to the terms of the treaty and the desire scrupulously to carry it out; secondly, a statement that the Allies, in order to carry out the treaty, were asking the Reparation Commission to pursue its labours and to report its conclusions—which he had no doubt would be accepted by the Allies. These would be communicated to the German Government and a period fixed by the Allies for the German reply. It was the general view of the Cabinet that ten days would not be unreasonable, though he would not like to be definitely committed to a precise figure. All the other obligations—the trial of war criminals, and disarmament—should be carried out within the same period. The paper should close with a threat that unless the obligations were carried out within the time stated the contemplated naval and military measures would be taken. The above was strictly subject to the reservation that the measures of mobilisation should be pursued in the interval.

Such was the form of document that would appeal to the British Government. If the declaration came out in its present form they had very little doubt as to the feeling in Great Britain. The proposal to occupy the Ruhr would cause great alarm. If, on the other hand, it could be said that Germany had been given a chance and had not taken it, this would allow public opinion to rally in support of the Allies' proposals. He did not presume to offer a view on French public opinion, on which M. Briand would be better informed, but regard must be had to the effect on German opinion. The Allies desired to draw this long dispute to a close, and he thought there would be

a better chance of securing Germany's adhesion if the order were altered as suggested. He foresaw that it would be very difficult for the Supreme Council to consider the document paragraph by paragraph and line by line without involving a very long discussion, and suggested for consideration, if the committee were disposed to agree, that he should draw up an amended form to meet the criticisms he had suggested, which should be circulated in the course of the evening, and the Drafting Committee could meet early the following morning, the Supreme Council being postponed until 12.30 p.m.

M. Briand remarked that he had told the French Parliament what the position was. To read the English newspapers one would think that the English Government had taken up the same attitude. In the House of Commons, Mr. Lloyd George had formally declared, that if Germany did not put forward acceptable proposals the Ruhr would be occupied.² But if in M. Jaspar's text everything relating to sanctions was to disappear, or to be relegated to a final paragraph, so as to constitute as it were an appendix to the declaration, the document would then assume the character of a fresh ultimatum.

Notwithstanding his conciliatory intentions M. Briand could not accept such a solution. He must maintain the point of view which he had stated: Germany was in a state of default, sanctions had been agreed upon, they should begin to operate. Fortunately circumstances allowed ten days for the reassembly of the Allied troops. One could make use of this delay to offer Germany a last chance. It should be noted that on the preceding evening Mr. Lloyd George had contemplated the possibility of combining the wishes of France with the desire of Great Britain so as to give Germany the opportunity of surrender. He spoke of a delay of three to six days.

M. Briand was not opposed to modifications of form. He was ready to agree that during the period required for the assembly and concentration of the Allied forces, Germany should receive a summons from the Reparation Commission, and should be given the opportunity of stating whether she accepted or refused the conditions which had been imposed upon her. He, M. Briand, could not in any case admit that Germany should be granted a longer delay than was necessary to secure the reassembly of the French forces so as to permit her to reopen new discussions. To do so would be to render a very ill-service to Germany and to Europe. This would be the worst thing that could happen. He, M. Briand, must declare very frankly that he could not in such conditions return to France. His conciliatory attitude could not allow him to go beyond the limits which he had indicated.

To modify the preamble, to establish a distinction between the military and naval preparations, to clear up legal difficulties which beset the question of the 12 milliards, might be all very well. M. Jaspar's text was capable of modification in form, but it was not possible that it should be completely altered in spirit.

In conclusion, M. Briand repeated that he was in no way opposed to the suggestion that Lord Curzon should prepare a fresh draft.

² See 141 H.C. Deb., 5 s, cols. 4 and 345.

LORD CURZON said that he would only make three observations in regard to M. Briand's speech. When he (Lord Curzon), had spoken of eight [sic] days, he had not intended to convey that the British Government contemplated a delay of that extent in order to permit the Germans to resume discussions. The delay was to allow the Allies to complete their proposals, and to permit the German Government to receive the Allies' proposals and to reply. He had not meant to suggest that the German Government should make fresh proposals. The answer must be 'Yes' or 'No.' M. Briand had also spoken of clause I relating to the occupation of the Ruhr and naval and military measures as if its complete disappearance had been suggested. He (Lord Curzon) had only meant an alteration of the position of the paragraph. Neither did he suggest any stoppage of the concentration of troops. That should go on, and it should be so stated expressly in the document. The rest of his observations he would reserve until the following day.

M. Briand replied that he had not understood Lord Curzon to mean that the sanctions clause would disappear, but to put it at the very bottom of the document in the manner suggested made an entire change in the character of the document. It was necessary that the Germans should be confronted with the certitude that the sanctions would be put into operation. If Germany concurred, well and good, but Germany must not be left in any doubt as to the threat of immediate execution. He would gladly continue in the endeavour to arrive at a formula provided it complied with the principle of M. Jaspar's paper.

COUNT SFORZA declared his agreement with Lord Curzon's remarks. Agreement was possible since only a question of form remained at issue.

M. JASPAR readily recognised the imperfections of a draft which had been drawn up with extreme haste. Certain observations made by Lord Curzon were clearly justifiable; with some time for reflection M. Jaspar would certainly have avoided exposing himself to these criticisms. In any case, there would be no difficulty in introducing modifications of form. But the second series of remarks made by Lord Curzon indicated that there had been a misunderstanding. If it was only a question of drafting and arrangement, discussion was possible, but there must be agreement on the actual principle involved. This principle was as follows. The French Government demanded immediate action, the English Government preferred delay. It could be published that the execution of the suspended military measures would be pursued in principle, in so far as these measures did not amount to a fresh occupation. The delay necessary to carry out the preparations would be utilised to enable the Reparation Commission to decide on the method of payment, to give the Allied Governments time to fix the necessary guarantees and to enable Germany to say if she accepted these conditions and guarantees. If Germany failed to notify her acceptance, the military operation would continue and the fresh territory would be occupied.

The British Government would in this way be satisfied, since Germany would have time to reconsider her position. The French Government, on the other hand, would be able to say that they had passed to the execution

of the sanctions, and that the delay was only invoked so as to give the time necessary for the preparation of a definite operation.

If the principle of this arrangement was not accepted, there should be no arrangement at all. If, on the contrary, there was agreement on the principle, general concurrence was easy.

M. BRIAND stated that the French only desired to occupy the Ruhr in order to make the Germans capitulate. If they succeeded in obtaining the guarantees, without occupying the Ruhr, so much the better. Part of the Ruhr could be occupied in three days, but the preliminary steps should be taken without the delay of waiting. He had, however, no objection to examine a formula if it were possible to arrive at a formula which would meet with Lord Curzon's point of view.

BARON HAYASHI said he was quite prepared to consider a draft by Lord Curzon.

It was agreed-

That Lord Curzon should prepare and circulate a draft that evening, and that the Drafting Committee should reassemble in Lord Curzon's room at the Foreign Office at 10.30 the following morning. The meeting of the Supreme Council should be postponed until 12.30 p.m.

2, Whitehall Gardens, May 1, 1921.

No. 79

I.C.P. 193C] British Secretary's Notes of a Meeting of the Allied Drafting Committee held in Lord Curzon's Room, Foreign Office, S.W., on Monday, May 2, 1921, at 10.30 a.m.

PRESENT: British Empire: The Rt. Hon. the Earl Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs (in the Chair); EXPERTS, Mr. Vansittart, Mr. Malkin; SECRETARIES, Sir M. Hankey, Mr. Wicks.

France: M. Briand, President of the Council; M. Berthelot, Secretary-General of the Foreign Office; EXPERT, M. Fromageot; SECRETARY, M. Massigli.

Belgium: M. Jaspar, Minister for Foreign Affairs; secretary, Viscount Terlinden.

Italy: Count Sforza, Minister for Foreign Affairs; Marquis della Torretta; expert, Signor d'Amelio; secretary, Signor Galli.

Japan: Baron Hayashi, Japanese Ambassador in London; secretary, Mr. Saito.

INTERPRETER: M. Camerlynck.

(Note.—There was no interpreting from French into English, and these notes only contain a very rough summary of the proceedings.)

LORD CURZON presented the draft which he had promised (A.J. 286).¹ He explained that the only change in the preamble from M. Jaspar's document² was to meet the criticism he had made on the previous day.³ In view of the urgent appeal of M. Briand, and also for the purpose of impressing the Germans of [sic] the seriousness of the Allies' intentions, he had put at the beginning, in paragraph (a), a statement of the Allies' intentions to proceed with the calling up and concentration of the necessary troops.

Paragraph (b) had been drafted in order to secure strict conformity with the terms of the treaty and the functions of the Reparation Commission.

Paragraph (c) recited the demands to be made upon the German Government.

Finally, paragraph (d) recited the steps which the Allies would take if their demands were not fulfilled.

The objects he had had in view in drawing up the draft were:—

- 1. To adhere as far as possible to M. Jaspar's formula.
- 2. To base the Allies' action on the treaty and the decisions arrived at in Paris and announced to the German Government.
- 3. To set out events in their strictly logical order by putting the proposed mobilisation measures in the forefront, and reserving the final action to the end.

M. Briand stated that he had read Lord Curzon's statement with great attention. He would remind the committee that, after long discussion, the Supreme War [sic] Council had appointed the committee for the purpose of finding a formula to reconcile the respective attitudes of Great Britain and France. M. Jaspar had suggested that that could be done by proceeding on the basis that inasmuch as the French could not proceed to put the sanctions in operation without reassembling troops and making her dispositions, the time so occupied could be used by Germany to show her goodwill and acceptance of the conditions. In such an event the execution of the proposed measures would be stayed. It was proposed to occupy the Ruhr as a pledge, failing the provision of guarantee. Had the necessary guarantees been given there would be no need for this pledge, but they had no guarantees, and if a further period of delay were allowed they would get neither pledge nor guarantee. Mr. Lloyd George had accepted the formula under the reserve of modifying it in respect of form, but this was a question of principle. The only delay that would be allowed was the delay for assembling the troops, during which the Reparation Commission would state the modalities, and Germany would have the opportunity of saying, 'Yes' or 'No.' If she said 'Yes,' the sanctions would be suspended, but Lord Curzon's formula did not seem to him to comply with these conditions, and he could not accept it, though he much appreciated the earnest endeavours

¹ See No. 78, last paragraph. No copy of this draft has been traced, but for a comparison made by Lord Curzon between it and the revised draft in the Appendix below, see No. 80.

² No. 77, Appendix.

³ See No. 78. ⁴ See No. 77, p. 514.

and the great length of time he had devoted to the task. In one respect, in paragraph (a), by specifically referring to French and Belgian forces only,⁵ it would appear to the world as if Great Britain had not agreed to the measures contemplated, which would have a very bad effect. Germany would at once say that Great Britain was not in accord with her Allies and would take advantage of that position.

LORD CURZON after recording the discussions which had taken place in the Supreme War [sic] Council pointed out that M. Jaspar's paper had seemed to offer a period of ten days during which mobilisation could proceed, in order to indicate to Germany the seriousness of the Allies' intentions, at the end of which period Germany must give a direct answer, 'Yes' or 'No,' but apparently M. Briand wished operations to begin at once so that at the end of ten days the Ruhr would be in the hands of the Allies. That was in conflict with the directions given by the Supreme War Council to the committee.

M. Briand replied that his proposal was that Germany should receive the summons, and should be under no uncertainty that measures were being taken to occupy the Ruhr. It would be for Germany to decide, by complying or not complying, whether the Ruhr should be occupied or not.

LORD CURZON pointed out with reference to the mentioning of French and Belgian troops only in paragraph (a), that the British Cabinet felt it was most undesirable, from the point of view of British politics, to give the impression that British troops would be used, seeing that British reserves had been called up in connection with the coal dispute, and the Communists had assiduously circulated the rumour that they were intended for use in Germany. Lord Curzon then continued that M. Briand had originally come with the proposal that forces should be put into Essen in four days, in any event, and the remainder of the Ruhr would be occupied if the Germans did not comply.6 M. Briand, he now understood, in deference to the view of the British Government, had abandoned the proposal to occupy Essen immediately. He could not, therefore, see that there was any real difference between the parties. M. Briand anticipated great difficulty in going back to Paris with the formula that he (Lord Curzon) had drafted. But he suggested that if M. Briand, with all his eloquence, were to state in the French Chamber that the concurrence of the Allies had been obtained, that they only insisted on action in accordance with the treaty, that an interval of ten days would be given to allow the Reparation Commission to formulate the conditions, which period would be used to permit the mobilisation of the French and Belgian troops, and that, if at the end of that time Germany did not accept, the troops would move—if such a statement were made he imagined it would be received with acclamation in the French Chamber.

M. Briand replied that opinion in France was such that such a statement would not be sympathetically received. Were it only a question of reparations it would be perhaps a different matter, but it was a question of security. Vis-d-vis Great Britain, Germany had no navy, but it must be remembered that France was faced with the fact that Germany had 420,000 machine

⁵ Cf. No. 80 below, p. 525.

⁶ Cf. No. 74, p. 492.

guns and 1,000,000 rifles, and was able to mobilise all the men who had taken part in the war. In such conditions it would be very difficult for him to address the French Chamber on the lines Lord Curzon had suggested.

Some discussion then took place, on the suggestion of M. Jaspar, on the alterations which might be made to make the document more acceptable to M. Briand, and after further deliberations the committee finally agreed to amendments to Lord Curzon's draft. The document, as finally agreed on, is given as an Appendix to these minutes.

2, Whitehall Gardens, May 2, 1921.

Appendix to No. 79

Resolution

The Allied Powers, taking note of the fact that, in spite of the successive concessions made by the Allies since the signature of the Treaty of Versailles, and in spite of the warnings and sanctions agreed upon at Spa and at Paris, as well as of the sanctions announced in London and since applied, the German Government is still in default in the fulfilment of the obligations incumbent upon it under the terms of the Treaty of Versailles as regards: (1) disarmament; (2) the payment due on the 1st May, 1921, under article 233 of the treaty, which the Reparation Commission has already called upon it to make at this date; (3) the trial of the war criminals as further provided for by the Allied notes of the 13th February and the 7th May, 1920; and (4) certain other important respects, notably, those which arise under articles 321, 322 and 327 of the treaty, decide:—

- (a) To proceed forthwith with such preliminary measures as may be required for the occupation of the Ruhr Valley by the Allied forces on the Rhine in the contingency provided for in paragraph (d) of this note.
- (b) In accordance with article 233 of the treaty to invite the Reparation Commission to prescribe to the German Government without delay the time and manner for securing and discharging the entire obligation incumbent upon that Government, and to announce their decision on this point to the German Government at latest on the 6th May.
- (c) To call upon the German Government within a period of six days from the receipt of the above decision categorically to declare their intention: (1) to carry out, without reserve or condition, their treaty obligations as defined by the Reparation Commission; (2) to accept the guarantee in respect of those obligations demanded by the Allied Governments; (3) to carry out, without reserve or delay, the measures of military, naval and aerial disarmament notified to the German Government by the Allied Powers in their note of the 29th January, 1921, as far as those are overdue, and to complete the remainder by the prescribed dates; (4) to carry out, without reserve or delay, the trial of the war criminials [sic] and the other unfulfilled portions of the treaty referred to in the first paragraph of this note.
- (d) Failing fulfilment by the German Government of the above conditions by the 12th May to proceed to the occupation of the Valley of the Ruhr, and to take all other military and naval measures that may be required.

May 2, 1921, 1 p.m.

I.C.P. 194] British Secretary's Notes of an Allied Conference held at 10, Downing Street, S.W., on Monday, May 2, 1921, at 12.30 p.m.

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister (in the Chair); The Rt. Hon. A. Chamberlain, M.P., Lord Privy Seal; The Rt. Hon. the Earl Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; The Rt. Hon. W. S. Churchill, M.P., Secretary of State for the Colonies; The Rt. Hon. E. S. Montagu, M.P., Secretary of State for India; The Rt. Hon. Sir L. Worthington-Evans, Bt., M.P., Secretary of State for War; The Rt. Hon. Sir A. Mond, Bt., M.P., Minister of Health; Political and Financial Experts, Lord D'Abernon, Sir John Bradbury, Sir B. Blackett, Mr. Fass, Mr. Vansittart, Mr. Kerr, Mr. Malkin; SECRETARIES, Sir M. Hankey, Mr. Howorth.

France: M. Briand, President of the Council; M. Loucheur, Minister for the Devastated [sic] Regions and Reparations; M. Berthelot, Secretary-General of the Foreign Office; M. Doumer, Minister of Finance; Political and Financial expert, M. Fromageot; secretaries, M. Massigli, M. Chastenet.

Belgium: M. Jaspar, Minister for Foreign Affairs; Colonel Theunis, Minister of Finance; SECRETARIES, Viscount Davignon, Viscount Terlinden.

Italy: Count Sforza, Minister for Foreign Affairs; Marquis della Torretta; POLITICAL AND FINANCIAL EXPERTS, Signor Galli, Signor d'Amelio, Signor Giannini; SECRETARY, Signor Ricotti.

Japan: Baron Hayashi, Japanese Ambassador in London; Mr. Kengo Mori; secretaries, Mr. Saito, Mr. Yoshizawa.

INTERPRETER: M. Camerlynck.

Reparation by Germany

MR. LLOYD GEORGE requested Lord Curzon to inform the conference of the results of the discussions of the Drafting Committee.

LORD CURZON said that Mr. Lloyd George had asked him to explain the position as regards the Drafting Committee, but, as many of the members present at the conference had also been present at the discussions of the committee, it would not be necessary for him to make a very comprehensive statement. He reminded the conference that on the previous evening he had drawn up a revised draft of M. Jaspar's proposals, which he had modified so as to bring them more into conformity with the provisions of the Treaty of Versailles and the expressed views of the Allied Governments as set out in notes despatched from time to time to the German Government. He had circulated this revised draft to the members of the Allied delegations, and the Drafting Committee had spent two and a half hours upon it that morning. Considerable discussion had taken place, but, as the result of the

conciliatory and accommodating spirit shown by all members of the committee, a unanimous report had been prepared. Apart from verbal amendments, the discussion had principally centred on certain questions arising on paragraphs (a) and (c) of the draft resolution (Paper A.J. 286).² As originally drafted, paragraph (a) had read as follows:—

'To concur in the immediate calling up and concentration of such French and Belgian forces as may be required in the event of the occupation of the Ruhr Valley becoming necessary as provided for in paragraph (d) of this note.'

This form had been adopted to meet the point of view of the French and Belgian Governments, both of which desired to complete forthwith their preparations for the occupation of the Ruhr Valley, and also to satisfy the British Government's pledge that the members of the recently recruited defence force should not be utilised for the purpose of the occupation of the Ruhr, which the British Communists were very fond of representing as the real object of the Government in raising this force. The French and Belgian Governments, however, did not like the discrimination, and it had been decided to abandon the specific reference to French and Belgian forces, and to redraft (a) as follows:—

'To proceed forthwith with such preliminary measures as may be required for the occupation of the Ruhr Valley by the Allied forces on the Rhine in the contingency provided for in paragraph (d) of this note.'

The revised paragraph (b) had been accepted by the committee, as it merely expressed, in carefully chosen language, the obligations laid upon the Reparation Commission by the Treaty of Versailles. The only point for discussion was the date, and it was generally agreed that the Reparation Commission should be able to communicate their decision to the German Government in four days. The committee had therefore inserted 'the 6th May' in the paragraph.

With regard to paragraph (c), the question of the date by which the German Government had to give their reply had arisen, and it was decided to give that Government a period of six days. This would make a total period of ten days in all before the sanctions could come into force. The other alterations to this paragraph were of a verbal character, designed with a view to making the position as regards disarmament perfectly clear.

The wording of paragraph (d) had been slightly altered without materially affecting the sense.

MR. LLOYD GEORGE said that the document was undoubtedly a very severe one, but it would have the great advantage that if Germany refused to accept it the Allies would then be able to say truthfully that she never had had any intention of reaching a proper settlement. He himself thought that the British Government could carry the bulk of British public opinion with this particular document.

² Cf. No. 79, n. 1.

M. Briand said that he fully recognised the difficulty which some of the Allies found in agreeing to the proposed procedure. France had, however, gone to the extreme limits of concession in assenting to this document, which did not seem to him to be in such severe terms as Mr. Lloyd George represented. He hoped, however, that the publication of the document might have a good effect in Germany. It gave in effect the German people the last chance of honouring their signature, and Germany must now take her fate in her own hands. The document could much more easily be made acceptable to the British Parliament than to the French Chamber.

MR. LLOYD GEORGE remarked that he saw nothing in the document about the evacuation of the Ruhr Valley, and he had been informed that M. Poincaré had recently advised the French Government not to take any 'return ticket'. It appeared to him (Mr. Lloyd George) that if, after the occupation had been effected, the German Government complied with the conditions, the occupation was to come to an end. This being so, there could surely be no objection to making a statement to this effect in the document itself. Such a statement would undoubtedly help to satisfy British public opinion.

M. Briand remarked that he had already said, and would now repeat, that the occupation of the Ruhr was in no sense a pleasure trip. The French Government regarded the occupation as a measure of coercion and at the same time as a security for payment. The guarantees under consideration, if accepted, could take the place of this security. France only wished that Germany should give proof of her will to execute engagements entered into by her; when the German Government should have accepted the methods of payment laid down by the Reparation Commission, as well as the guarantees demanded by the Allies, and when she had executed her obligations regarding criminals and disarmament, there would be no reason to remain in the Ruhr. There could be no doubt on that point.

MR. LLOYD GEORGE repeated that he thought there should be something added to the document in the sense indicated by M. Briand, and he suggested that the following sentence should be added at the end of paragraph (d):

'Such occupation will continue so long as Germany fails to comply with the obligations summarised in paragraph (c).'

Subsequently, Mr. Lloyd George suggested the substitution of the word 'conditions' for the word 'obligations,' and the conference agreed to add the sentence as altered to paragraph (d).

M. Briand proposed the addition at the end of the draft, but before the paragraph just adopted, of the following paragraph:—

'If, after the acceptance by Germany of the conditions set out in paragraph (c), a default is notified, either by the Reparation Commission or the Inter-Allied Military Commission of Control, the sanction set out in paragraph (d) shall be put into operation without prejudice to all other military and naval measures.'

He wished to guard against a mere paper acceptance by Germany of the resolution, and to provide machinery for dealing with subsequent defaults.

MR. LLOYD GEORGE thought that in a matter of this kind the heads of Governments should be granted some discretion. It would not do to invoke the sanctions for what, after all, might be merely technical breaches, while, on the other hand, the sanctions might well have to be imposed if Germany, though observing the conditions in the letter, broke them in the spirit.

M. Briand said that he did not wish to press his amendment, which he thought was already sufficiently covered by the document. He would like to remind the conference that France only desired that Germany should keep her engagements. She did not intend to lie in wait for technical breaches by the German Government. The Allies should realise the very heavy burdens which France was assuming in this matter. Two hundred thousand young men who had recently been released from the colours were being recalled, and it was quite certain that these men did not wish to stay in the Ruhr a day longer than was necessary. The sooner Germany gave adequate guarantees the sooner would it be possible for the Allies to withdraw; and, when the good faith of Germany was completely re-established, it would be possible for France to take steps to reduce her heavy military expenditure, which the French Government would like to see brought down to a minimum.

M. JASPAR said he desired to suggest that the words 'on the same date' should be added after the words 'Allied Governments' in paragraph (c) (2).

Mr. LLOYD GEORGE said that, while the conference would take note of M. Jaspar's proposal, it would be better to defer a final decision until the report of the financial experts was available.

M. Briand suggested that in line 3 of paragraph (c) the words 'its resolve' should be substituted for the words 'their intention'.

This amendment was agreed to.

(A copy of the resolution as amended by the conference is attached as an appendix.)³

The conference agreed—

That the Committee of Financial Experts should meet at 3.30 p.m., and that the conference should resume at 5 p.m. to consider the report of the financial experts.

2, Whitehall Gardens, May 2, 1921.

3 Not printed.

No. 81

I.C.P. 195] British Secretary's Notes of an Allied Conference, held at 10, Downing Street, S.W., on Monday, May 2, 1921, at 6.15 p.m.

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister (in the Chair); The Rt. Hon. A. Chamberlain, M.P., Lord Privy Seal; The Rt. Hon. the Earl Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; The Rt. Hon. W. S. Churchill, M.P., Secretary of State for the Colonies; The Rt. Hon. E. S. Montagu,

M.P., Secretary of State for India; The Rt. Hon. Sir L. Worthington-Evans, Bt., M.P., Secretary of State for War; The Rt. Hon. Sir A. Mond, Bt., M.P., Minister of Health; POLITICAL AND FINANCIAL EXPERTS, Lord D'Abernon, Sir John Bradbury, Sir B. Blackett, Mr. Fass, Mr. Vansittart, Mr. Malkin, Mr. Kerr; SECRETARIES, Sir M. Hankey, Mr. Howorth, Mr. Wicks.

France: M. Briand, President of the Council; M. Loucheur, Minister for the Devastated [sic] Regions and Reparations; M. Berthelot, Secretary-General of the Foreign Office; M. Doumer, Minister of Finance; Political and Financial experts, M. Seydoux, M. Tannery, M. [de] Margerie, M. Fromageot; SECRETARIES, M. Massigli, M. Chastenet.

Belgium: M. Jaspar, Minister for Foreign Affairs; Colonel Theunis, Minister of Finance; Political and Financial expert, M. Bemelmans; SECRETARIES, Viscount Davignon, Viscount Terlinden.

Italy: Count Sforza, Minister for Foreign Affairs; Marquis della Torretta; Signor de Martino; Political and Financial experts, Signor Galli, Signor d'Amelio, Signor Giannini; secretary, Signor Ricotti.

Japan: Baron Hayashi, Japanese Ambassador in London; Viscount Ishii, Ambassador in Paris; expert, Mr. Kengo Mori; secretaries, Mr. Saito, Mr. Sawada.

INTERPRETER: M. Camerlynck.

1. Reparation by Germany

The meeting of the conference was delayed owing to a prolongation of the meeting of the financial experts. On the arrival of the latter

Mr. LLOYD GEORGE asked who would expound the proposals?

SIR L. WORTHINGTON-EVANS said that before dealing with the proposals, which had been the subject of discussion by the financial experts, it was necessary to consider a question of procedure. The suggestion had been made that the Reparation Commission should submit two alternatives to the Germans:—

- (i) A statement under article 233 of the Treaty of Versailles, indicating the amount of reparation as determined by the commission, and the time and manner for securing and discharging the entire obligation within the period of thirty years; and
- (ii) In the alternative, the proposals contained in the document drawn up by the Committee of Experts.
 - (A copy of this document in the form submitted to the conference by the committee is attached (see Appendix).)

The advantage of this suggestion was that it would enable the Supreme Council to notify the German Government that that Government must carry out one or other alternative. If it should turn out that the document drawn up by the Committee of Financial Experts contained provisions and stipulations inconsistent with the Treaty of Versailles, then the German Government

might, in the absence of the first alternative, have pleaded that the treaty was not being strictly observed. This plea could not be raised if, in fact, that Government was given the choice between the treaty and the committee's document. In point of fact, the German Government was not likely to prefer the treaty to this document, since the terms of the latter were undoubtedly less onerous than the requirements of the treaty.

MR. LLOYD GEORGE thought that this was a very important development, and enquired whether the terms of the alternative treatment under the treaty had yet been drafted?

SIR L. WORTHINGTON-EVANS replied in the negative.

LORD CURZON enquired whether it was certain that the Reparation Commission would agree to put the suggested alternatives before the Germans?

M. Briand remarked that it was to be hoped that the Reparation Commission would agree to this course. At the same time, it was, in his view, most important that the Allied Governments should not directly ask the commission to do this or that. The Reparation Commission enjoyed a very high reputation as a juridical body, and it was very desirable that it should continue to be regarded by public opinion as an impartial tribunal. No subject had been more keenly debated in France than the question of reparation. Gigantic sums had been mentioned in the press and elsewhere, yet when the Reparation Commission announced its findings, the figure, though very much below public anticipations, was accepted without a murmur because of the confidence felt by the French public in the commission. If the Reparation Commission continued its work and proceeded to fix the time and methods of payment its decisions would undoubtedly be accepted by the French people. The Allied Governments must at all hazards maintain the appearance of juridical independence on the part of the Reparation Commission. On the other hand, the question of the nature of the guarantees was one for the decision of Governments and not of the commission.

MR. LLOYD GEORGE asked Sir John Bradbury how much of the work under the document would strictly fall to the Reparation Commission, and how much would fall outside the scope and purview of the commission? It seemed to him that there must be a very considerable amount of administration connected with the control of the customs, the export and import duties, &c., with which the Reparation Commission would have nothing to do.

SIR JOHN BRADBURY indicated his general assent.

MR. CHAMBERLAIN remarked that the Reparation Commission had now defined the amount due from Germany, and it would have to lay down the time and methods of payment. Could not the Reparation Commission submit a scheme on these lines, and if Germany refused to accept that scheme the Allied Governments should offer the proposals in the document as an alternative?

M. LOUCHEUR said that this was not the way in which he had understood the arrangement would work. The Reparation Commission would have to draw up a scheme under article 233 of the treaty, and would then put that scheme, together with the proposals in the document, to the German Government,

and give them the choice of either one solution or the other. At the same time, it would be necessary for the Allied Governments to transmit the guarantees to the German Government. The Reparation Commission and the Allied Governments could arrange to make their notifications on the same date.

MR. LLOYD GEORGE remarked that, as he understood the position, the Reparation Commission would notify the scheme of payments and the Governments would notify the guarantees on the same date.

In the course of a detailed examination of the document drawn up by the Financial Committee, Mr. Lloyd George thought that the provisions on the first page were all related to reparations properly speaking, and as such notifiable by the Reparation Commission.

SIR JOHN BRADBURY thought, on the contrary, that certain of these provisions exceeded the competence of the commission as being outside the treaty.

M. LOUCHEUR took a different view. The first paragraphs contained an alternative proposal, which it was intended to submit to the Germans. This proposal was more favourable to Germany than the treaty; the whole being greater than the part, the Reparation Commission could clearly summon the Germans and put before them a plan less onerous than that resulting from the pure and simple application of the treaty.

MR. CHAMBERLAIN suggested that the commission should notify the Germans that it was aware that the Allied Governments had submitted a proposition to Germany, and that if Germany would accept it the commission would also accept it.

SIR JOHN BRADBURY, after consideration, thought, like M. Loucheur, that the Reparation Commission could submit to Germany conditions different to those resulting from the treaty on condition that it was not to be imposed upon the Germans.

M. Briand drew attention to the terms in paragraph (b) of the draft resolution (A.J. 286, Revise), pointing out that the Reparation Commission could be invited to prescribe to the German Government without delay the time and manner for securing and discharging the entire obligation incumbent upon the German Government. This, then, was to be the part played by the commission, about which there could be no mistake or ambiguity. Each delegate on the commission would, no doubt, be inspired by the interests of the country which he represented, and the commission as a whole would fix the time and methods of payment, after having paid due regard to the interests of all the Allies, but such fixation ought to be made with the independence of a body possessed of a judicial character.

SIR JOHN BRADBURY said that he entirely agreed with M. Briand as regards the first stage of the Reparation Commission's duties. The commission had to fix the total amount and then to prescribe the time and manner for securing and discharging the entire obligation within a period of thirty years from the 1st May, 1921. Then the active functions of the commission ceased,

¹ No. 79, Appendix.

for the time being, and the next step would be for the commission to hear the German pleas and representations, and if, after full consideration, it was convinced of the justice of the German case, it could extend the period for payment. The Reparation Commission could only submit to the Germans the scheme contemplated in article 233 of the treaty, but it might, at the same time that this scheme was sent to Berlin, notify the German Government that if that Government preferred to accept the alternative arrangements prepared by the Allied Governments, the Reparation Commission was willing to adopt those arrangements in lieu of the scheme laid down in the treaty. The Reparation Commission could not, however, take any responsibility for the form and substance of the document drafted by the Allied Governments. Apart from other considerations, only four days were available for the discussion of the document, which, moreover, had been admittedly drawn up by the Allied experts on behalf of their respective Governments.

M. DOUMER reminded the conference that the Allies had before them article 233 of the treaty and various other treaty provisions which set up the arrangements under which the Allies were now proceeding. He personally was convinced that nothing had been done that afternoon which was outside the powers and responsibilities of the Reparation Commission. That commission had, he thought, much greater powers than Sir John Bradbury had admitted to be the case.

SIR JOHN BRADBURY said that he could not agree. As regards interference with the internal affairs of Germany, the Reparation Commission only possessed powers of investigation, and not powers of control.

SIGNOR D'AMELIO said it had been made clear at the meeting of the financial experts that the scheme would be proposed by the Governments and not by the Reparation Commission.

M. Bemelmans said it was difficult for the Reparation Commission to adopt the scheme as its own and impose it on the Germans. Under article 234 of the treaty it was for the Governments and not for the Reparation Commission. The Reparation Commission was not authorised to grant reductions or abatements unless authorised by the Governments. The present scheme was a matter for the Governments, because it was an abatement.

M. LOUCHEUR said that the following formula appeared to be in accordance with the treaty:—

'The Reparation Commission notifies to Germany the method of payment in accordance with the treaty. At the same time the commission indicates to the Germans that if Germany prefers the alternative attached,² the commission is ready to accept it in agreement with the Governments.'

SIR JOHN BRADBURY said that the question was whether the Reparation Commission was offering this as something prepared by itself, or not. If not, he would agree though he could not speak for his colleagues. The Italian

² Note in original: "The word "attached" (ci-jointe) was inserted at Mr. Chamberlain's suggestion.'

and Belgian delegates were only represented at the present meeting by substitutes.

MR. LLOYD GEORGE said he would like to ask the representatives of the Reparation Commission if they would regard the scheme as a modification of the treaty? For instance, under Annex 2,3 clause 12, sub-section (c) (i), (ii) and (iii), 20 milliards of gold bonds were to be issued by the 1st May, 1921, without interest, 40 milliards at 2½ per cent. between 1921 and 1926, and thereafter at 5 per cent. with an additional 1 per cent. for amortisation, beginning in 1926, and 40 milliards at 5 per cent. when the commission was satisfied that Germany could pay. Under the present scheme, Germany was required to issue bonds for 38 milliard gold marks at 5 per cent. by the 1st November, 1921, with the provision of an additional 1 per cent. for sinking fund.

SIR JOHN BRADBURY said that that was a modification of the provisions of Annex 2, involving an obligation to pay interest in excess of that provided by the treaty, though it was true there was a corresponding reduction elsewhere; but any departure from the treaty would require the agreement of Germany.

M. Loucheur concurred that in any case the agreement of Germany would be required to the alternative scheme.

MR. LLOYD GEORGE asked what would happen supposing the Germans refused to accept the alternative and said they would accept Annex 2 of the treaty?

M. LOUCHEUR said that they would not do that. The treaty was heavier than the scheme, in virtue of paragraph 16 of Annex 2 in respect of interest at 5 per cent. on the balance of the debt.

MR. LLOYD GEORGE pointed out that whether the conditions of the alternative scheme were easier depended largely on the effect of the provision for the payment of 25 per cent. of the proceeds of German exports.

M. Loucheur thought, however, that the draft proposed gave Germany certain advantages.

MR. LLOYD GEORGE said the terms were heavier for the first two years.

M. LOUCHEUR agreed, but said that in the third year and after they were lighter.

MR. LLOYD GEORGE said that he apprehended technical difficulties. The council must not get into the position of threatening Germany with sanctions to conform to a treaty which the Allies themselves were breaking. It was very important to be within the four corners of the treaty. If the treaty were torn up the moral basis of the Allies would disappear.

M. Doumer said that, on the contrary, instead of expecting Germany to pay 5 per cent. on the balance of the debt, the Allies were making it easier for her and were reducing what she was expected to pay under the treaty.

M. Theunis said that it was a question of figures. The most simple method was to impose payment in thirty years under the treaty at 2½ per cent. instead [? interest] for five years and 5 per cent. thereafter, plus 1 per cent. for sinking

3 Of Section I of Part VIII (Reparation) of the Treaty of Versailles, June 28, 1919.

fund over the whole period. That would produce annuities of 6 milliards for five years, and about 8 milliards for the following years. The French Government would be quite ready to accept that. On the other hand the financial experts had tried to avoid a departure from the terms of the treaty so that it might not be possible for Germany to say that the Allies had not taken into account the capacity for payment. The capacity for payment had not been taken into account in the Paris terms. If they looked at the present plan they would see that it took into account to a much larger extent the capacity for payment than did the treaty. If the annuities of the Paris scheme were compared with the present plan, the latter allowed more time to Germany to pay the same sum. It was no breach of the treaty to offer an alternative. It was true an alternative could not be imposed, but if the Germans had to choose they would see that it gave them greater facilities.

MR. LLOYD GEORGE explained to M. Fromageot and Mr. Malkin, who entered at this stage, that the document prepared by the Financial Commission proposed a very elaborate scheme for the liquidation of German obligations under the treaty and asked whether, in M. Fromageot's and Mr. Malkin's opinion, it was within the treaty. He thought that the council ought to be advised on the steps they proposed to take.

M. Fromageot said he would require an hour to examine the scheme carefully.

MR. LLOYD GEORGE said that in the meantime the council would continue to examine the proposals from a financial point of view.

(M. Fromageot and Mr. Malkin then withdrew.)

M. Doumer said that Mr. Lloyd George must realise from M. Theunis' figures that the terms were much more favourable than the treaty.

MR. LLOYD GEORGE agreed that might be so, but if Germany were offered the alternative she could judge for herself.

M. LOUCHEUR said that it was not the French delegates who had insisted on the scheme: they would prefer to fall back on the treaty.

MR. LLOYD GEORGE said they could give the alternative to Germany, the treaty or the scheme. He thought it was unfortunate that the Reparation Commission could not be brought to London, so that the council might know their opinion before they separated.

M. BRIAND said that he expected no difficulty from the French and Belgian side in agreeing to the proposals.

MR. LLOYD GEORGE said that he did not think the Reparation Commission could agree to father the scheme according to the views of the two members who were present. It would be better to have the commission there.

After some discussion as to the possibility of getting the Reparation Commission to London on the following day, M. Doumer said that the French and Belgian delegates on the Reparation Commission would be ready to adopt the scheme.

M. JASPAR said that he had kept M. Delacroix4 in constant touch with the

4 Belgian delegate to the Reparation Commission.

successive stages reached, and he would be ready to agree to it. He had telephoned to him at 9 o'clock that morning.

Count Sforza said that in his opinion the Reparation Commission was only a channel of communication, and he did not think that the Italian delegate would have any objection to transmitting the alternative.

M. Doumer said that no doubt the delegates of the Reparation Commission were animated with the same spirit of conciliation and agreement as the members of the Supreme Council, who had made sacrifices in order to come to an agreement.

SIR L. WORTHINGTON-EVANS then read through the clauses of the draft scheme prepared by the Financial Commission.

M. LOUCHEUR said that the French Government were in complete agreement in respect of clause 1.

No observations were made on clauses 2, 3, 4 and 5.

An alternative clause to clause 6 was presented by the French Government in the following form:—

'Germany will pay immediately I milliard of gold marks, in gold, or in foreign bills or in drafts at three months on the German Treasury, endorsed by German Banks, agreed on, and made payable at Paris, London, New York or any other town which the Reparation Commission shall indicate.'

which the council accepted.

MR. LLOYD GEORGE pointed out that clause 7 involved the setting up by the Reparation Commission of a Committee of Guarantees, and enquired whether that was within the functions of the Reparation Commission as set down by the treaty.

M. Doumer said that was expressly provided for by paragraphs 7 and 12 (b) of Annex 2.

MR. LLOYD GEORGE pointed out that the opinion had been expressed by a member of the Reparation Commission that the commission could not discharge such functions.

M. Doumer stated that not only was the appointment by the Reparation Commission of a Committee of Guarantees within the provisions of the treaty, but the president of the Reparation Commission was of the same opinion and claimed that the Reparation Commission and no one else should be permitted to set up such a committee. He read a letter received from the president of the Reparation Commission to that effect:—

'Je crois devoir vous signaler que je considère comme très dangereux de créer une Commission de la Dette allemande indépendante de la Commission des Réparations. Une telle création serait contraire aux dispositions du paragraphe 12 de l'Annexe 2 à la Partie VIII du traité. Elle donnerait satisfaction, sous une forme indirecte, à la demande allemande de création d'une Commission internationale d'Experts. La dualité ainsi établie aurait des inconvénients multiples et aucun avantage. La Commission des Réparations tient, d'ailleurs, du paragraphe 10 de l'Annexe

2 des pouvoirs lui permettant de créer une Commission de la Dette allemande, en telle forme qu'elle jugera convenable.'

SIR JOHN BRADBURY said that the committee was intended to exercise certain functions which belonged to the Reparation Commission under the treaty. The Reparation Commission could appoint a committee to exercise those functions and if the Germans were prepared to agree to the committee being vested with other functions outside the obligations of the treaty, he saw no reason why the committee should not accept those duties.

MR. LLOYD GEORGE asked with reference to clause 8 what was meant by 'supervision' of the application of the funds proceeding from the assigned revenues. He said that this was the very matter which the French and Italian Governments had supported Mustapha Kemal in resisting in the Treaty of Sèvres as humiliating to Turkey. Mahommedans had come all the way from India to protest against the imposition of such degrading conditions upon a free country.⁵

M. Briand said that the Treaty of Sèvres did not confer upon the National Assembly of Turkey the right of settling the National budget: there was nothing comparable to the proposal made to the Supreme Council. The proposals in question were already in the treaty and the Germans had had time to make up their minds on the matter.

M. LOUCHEUR said that the French Government had accepted a modified text which made it clear that the functions of the Committee of Guarantees would only be to look after the use made of the funds proceeding from the specially assigned revenues. That was in conformity with the drafting of the German telegram to Washington, in which it was stated that the Germans were ready to give guarantees.⁶ It was not desired to interfere with the internal administration of Germany.

MR. CHURCHILL said that while he had not liked the appearance of the clause at first, he had had to recognise that Germany, having assigned a certain revenue, ought not to be able to substitute something in its place. That was all the words were intended to mean.

SIR L. WORTHINGTON-EVANS agreed that the words were limited to the supervision of the application of the funds proceeding from the assigned revenue. The argument had been put at the meeting of the Financial Commission that much stronger words had been used in the Boulogne and Paris Agreements.

Mr. LLOYD GEORGE pointed out that in those cases a supervision was not directed except in case of default.

SIR L. WORTHINGTON-EVANS said that in the case of the Boulogne Agreement a receiver-general was to be appointed by the Germans with the approval of the Reparation Commission. In this case it was not a question of a receiver. The Committee of Guarantees were definitely precluded from

⁵ See No. 60.

⁶ For the telegram of April 24-25 referred to, see F.R.U.S., 1921, vol. ii, pp. 46-48; cf. No. 74, n. 16.

⁷ Cf. Vol. VIII, No. 31, Appendix, section 7 (d).

collecting. He agreed, however, that the words of the clause would require revision by a draftsman.

Mr. Chamberlain enquired whether provision had been made to allow the release of part of an assigned revenue when it was providing more security than was actually required.

M. LOUCHEUR agreed that something should be inserted to meet the point. The council agreed—

That clause 8 should be referred back to the Financial Commission for redrafting.

SIR L. WORTHINGTON-EVANS pointed out that clause 8 (ii) would have to be read in conjunction with clause 10. Alternative methods were provided on which a decision must be taken. The French Government proposed a levy of 25 per cent. on the value of all exports from Germany, while the British Government preferred a tax of 50 per cent. on imports from Germany into such of the Allied countries as adopted that procedure. It was true that the alternatives could be combined by imposing 25 per cent. on all exports from Germany with power to any Allied country to increase the charge by a further 25 per cent.

M. Briand dissented from this proposal, and said that there must be a definite choice of one or other of the alternatives.

MR. LLOYD GEORGE said that the point was that France would get coal and material from Germany, and so, to a certain extent, would Italy and Belgium. The British, on the other hand, would get nothing. They did not require coal or material and the 50 per cent. tax was their most effective way of collecting revenue, particularly as they could by that means collect it in their own currency. He did not see why the 25 per cent. scheme should not be adopted except in those countries which chose to collect in their own currency, though he would like to consult the Board of Trade and Customs on the point. He was not inclined to give up the only means of securing payment to Great Britain.

M. LOUCHEUR said that, on the other hand, the French paid yearly for their coal.

MR. LLOYD GEORGE replied that the French, Italians and Belgians only paid for the materials received from Germany in paper, whereas their receipts from Germany were really equivalent to gold. Great Britain, on the other hand, received no gold equivalent from Germany, and had always been a great purchaser of German goods. Speaking on behalf of the British Government, he (Mr. Lloyd George) did not feel disposed to give up the 50 per cent. arrangement until experience had shown that the scheme for a levy of 25 per cent. on the value of all German exports worked satisfactorily and gave Great Britain the equivalent of the 50 per cent. scheme. The former plan might be all right, but, on the other hand, it might not.

M. LOUCHEUR said that he would like to make a few remarks with a view to clearing up the position. There would be no opposition to Great Britain continuing to apply her 50 per cent. solution provided that she only retained

out of the 50 per cent. collected by her an amount sufficient to meet her proper share of reparation, any excess being passed into the general reparation pool.

MR. LLOYD GEORGE said that he was very much disposed to agree with M. Loucheur's suggestion, and thought that it was not unreasonable that if Great Britain collected more than the share to which she was entitled under the arrangement made at Spa she should pay over the surplus into the pool, or, in the alternative, have the right to reduce the 50 per cent. Before adopting one or other of these alternatives it would be open to her to consult the other Allies. He was prepared to accept M. Loucheur's proposal in principle, subject to further consideration being given to matters of detail.

Mr. Churchill suggested that clause 8 (ii), relative to the levy of 25 per cent. on the value of German exports, was really superfluous, in that under preceding provisions the Allies were entitled to take the whole of Germany's assets.

M. DOUMER pressed very strongly for the retention of the clause, pointing out that it was essential that the Allies should be able to obtain possession of any foreign currency hereafter received by the German Government or German traders.

MR. LLOYD GEORGE remarked that the British delegation would not press this particular point. It was recognised that under this particular provision the Allies could get payment in bills of exchange, which would be equivalent to payment in gold.

Clauses 9, 10 and 11 were passed without comment.

Clause 12

SIR L. WORTHINGTON-EVANS explained that clause 12 contemplated the payment of simple interest at the rate of 2½ per cent. from the 1st May, 1921, to the 1st May, 1926, and of 5 per cent. thereafter on the whole of the unfunded debt, which might at any particular time amount to 85 milliards of gold marks.

Mr. Lloyd George thought that this provision was a very onerous one to impose on Germany, and pointed out that under it Germany would be debited with interest which, ex hypothesi, she was quite unable to pay. This interest would accumulate year by year, and at the end of the period there would be a vast sum representing accumulations of interest which it was certain could never be paid. It appeared to him that the arrangement was really more severe on Germany that [than] the provisions of the treaty. He was confident that the Allies would never be able to enforce the provisions, and their insertion in the document might well prevent Germany from accepting what was, in other respects, a good scheme.

M. DOUMER said that he thought it would be quite impossible to accept the further reduction suggested by Mr. Lloyd George. The total figure, 132 milliards, fixed by the Reparation Commission was disappointingly small. The French Ministry of Finance had worked out the figure at about 200 milliards. It was true that France had accepted the Reparation Commission's

figure, but it was out of the question to ask her to accept a reduction on that figure. He would remind Mr. Lloyd George that it had been admitted that France had made very considerable sacrifices already.

MR. LLOYD GEORGE asked what sacrifices had been made. France had accepted the figure fixed by the Reparation Commission. Under this scheme the Allies were going to get the last possible penny out of Germany. The debtor was being made to pay up to the hilt, and as her capacity to pay more increased so would she be required to make increased payments. But on the top of this it was now proposed to make her pay interest on a debt which admittedly she could not liquidate. This, in his view, would be unconscionable.

M. LOUCHEUR pointed out that the 12 milliards were included in the 132 milliards, so that to this extent France was making a sacrifice.

M. Doumer said that in a conciliatory spirit the French delegation had agreed to forgo compound interest.

SIR ALFRED MOND pointed out that under Part VIII, Annex 2 (16) of the Treaty of Versailles the rate of interest to be debited to Germany as from the 1st May, 1921, was to be 5 per cent. over the whole period. The reduction of $2\frac{1}{2}$ per cent. now proposed during the first five years was, therefore, a considerable alleviation of the treaty requirements.

MR. LLOYD GEORGE pointed out that under the provision referred to by Sir Alfred Mond it was open to the Reparation Commission to vary the rate of interest should circumstances justify such a variation. In any case, however, the framers of the Treaty of Versailles had never, according to his recollection, contemplated the imposition of interest at the rate of 5 per cent. on the whole of Germany's unfunded reparation debt.

M. Theunis said that the Committee of Financial Experts had thoroughly discussed the legal position, and, after consultation with Sir John Bradbury, had arrived at the conclusion that the proposed clause 12 was in conformity with the provisions of the treaty. Whatever the legal position might be, however, he personally felt that there was much to be said for Mr. Lloyd George's point of view, and in order to reach a compromise he would suggest that the clause should be amended so as to give the Reparation Commission power to reduce or cancel the interest if the commission thought it necessary or desirable so to do.

MR. LLOYD GEORGE again remarked that it would be impossible to obtain payment of this interest for very many years, if at all, and then only provided Germany's prosperity increased to an enormous extent. He thought that there was much to be said in favour of the compromise suggested by M. Theunis.

COUNT SFORZA agreed.

M. Doumer again remarked that France could not make further concessions. By renouncing compound interest the Allies had lost a sum of 2 milliards. By renouncing simple interest they would lose 10 milliards. French public opinion would resent such a sacrifice. Besides, article 12 had been adopted unanimously by the Financial Committee.

The conference agreed, on the suggestion of Mr. Lloyd George—

That the Committee of Financial Experts should consider M. Theunis's proposal, and, if possible, should draft a formula for consideration at the meeting of the conference on the following day.

(At this point M. Fromageot and Mr. Malkin entered the room.)

MR. LLOYD GEORGE asked M. Fromageot to give the conference his views on the point submitted to him earlier in the evening.

M. Fromageot said that the document which had been drafted by the Committee of Financial Experts was in the form of an agreement to be signed by Germany; in other words, it contemplated a new arrangement regarding reparation being reached by consent, and it was, therefore, most important that all interested parties should be brought into the arrangement. Strictly speaking, every nation interested in reparation should be a party to the agreement, and care must also be taken to see that the rights of Powers so interested were in no way prejudiced or affected by the agreement. Secondly, the draft spoke of payments to be made by Germany, the issue of bonds, &c., and the legal position in the event of Germany signing this agreement would, so far as he (M. Fromageot) could see, be that she would be freed from the treaty, and would assume new obligations under a new agreement. There would, in fact, be a change of circumstances similar to that recognised by lawyers in the legal doctrine of 'novation.' It should be noted that the sanctions in the treaty would, in the events which he had suggested, be no longer applicable. The document should be very carefully scrutinised from the legal point of view, otherwise very serious consequences might follow from its execution.

MR. LLOYD GEORGE remarked that M. Fromageot's statement showed very clearly how important it was that this document should be given the most careful further consideration. It might well be the basis of the future relations between Germany and the Allies, and it was essential that this basis should be a firm and legal one, and should not be the result of any slipshod or hasty work; otherwise the whole edifice of the treaty might collapse. The Allies must take care not to undermine the treaty. Therefore he thought the experts should devote some further time to the consideration of the document.

M. Briand recalled the last remark of M. Fromageot to the effect that it would be very difficult for the Allies to arrive at an agreement if they endeavoured, at the same time, to strain the treaty in their favour, and also to keep within its terms. It would be a very simple matter to invite the Reparation Commission to apply the treaty purely and simply. France would accept the commission's decisions. If, on the other hand, the Allies pursued the course upon which they had entered, however skilful the experts might be, a point would be reached at which it would be found that the new proposal, drawn up by the experts, was inconsistent with the treaty.

France could not agree to the prolongation of these discussions which tended to weaken the unity of the Allies. He would therefore ask that the

Reparation Commission, on which it should be noted that France was in a minority, should determine, in conformity with the treaty, the modality of payment by Germany. As regards the guarantees, the Allied Governments had already reached a settled conclusion, it only remained to notify their decision to Germany. It was not, therefore, necessary to change in any respect the terms of the political resolution now under consideration by the conference.

M. Briand added that he did not think it would be right to enter into a new convention with Germany. He had solemnly undertaken, in the French Chamber, to act on the 1st May. The understandings already reached between the Allies and the German Government would be found to be in strict conformity with the Treaty of Versailles. It was not necessary to tear up the proposals to which the conference had agreed. In short, it would suffice to make a declaration that after a delay of four or five days, the Reparation Commission should finally determine the methods of payment to which Germany was to be committed.

Mr. Lloyd George thought that M. Briand was exaggerating the difficulties of the situation. It was only necessary, he thought, to exercise patience for a few more hours. When the conference began last Saturday it looked as though the Allies were divided by an unbridg[e]able chasm. The difficulties which now confronted the conference were difficulties of form rather than of substance, and all that really remained was for M. Fromageot to produce in writing his suggestions for reconciling the provisions of the treaty and those of the Committee of Financial Experts. Let the conference continue to sit in that judicial atmosphere, as hitherto, and all would be well. It would be important to adjourn until the following morning, by which time the financial experts could have reconsidered the whole situation.

M. Briand remarked that it was impossible for him to stay in London after the following day, and there was one formality which the French Government must undertake forthwith, namely, the issue of mobilisation notices.

MR. LLOYD GEORGE saw no objection to these notices being issued, and this view was endorsed by Count Sforza, M. Jaspar and Baron Hayashi.

The conference agreed:—

That the Committee of Financial Experts should meet at 9.30 a.m. on the following day, Tuesday, the 3rd May, 1921, in Treasury Chambers, and that the conference should resume at 11 a.m. on the same day.

2. Upper Silesia

MR. LLOYD GEORGE enquired whether it was not the case that the conference, before separating, should discuss the question of Upper Silesia.

M. BRIAND said that he regretted that the French delegation had not as yet received the report from General Le Rond,⁸ and, in consequence, he was not ready for a discussion.

⁸ Gen. Le Rond, French High Commissioner and President of the Inter-Allied Administrative and Plebiscite Commission, had submitted a separate report on recommendations for a Polish-German frontier in Upper Silesia. Both this report and the majority report by the British and Italian High Commissioners had been despatched to London on April 30.

COUNT SFORZA also said that he had had no report from the Italian Commissioner.

Mr. Lloyd George felt that in these circumstances a discussion would not be possible, but he expressed a strong view that it was very undesirable to separate without discussing this question.

2, Whitehall Gardens, May 2, 1921.

Appendix to No. 81

Arrangement for the Discharge of Germany's Liability for Reparation under the Treaty of Versailles.

(May 2, 1921. Evening.)

- 1. Germany will pay the total fixed by the Reparation Commission as the amount for which she is liable under the Treaty of Versailles, viz., 132 milliards of gold marks, less the amount already paid on account of reparation, plus the amount of the Belgian debt to the Allies, leaving a total (to be determined by the Reparation Commission) remaining due of about 135 milliards.
- 2. Payment of this sum shall be made by the issue and delivery by Germany to the Reparation Commission of German Government bonds to this amount.

These bonds shall be bearer bonds free of all taxes and charges of every description established or to be established by the German Government, and shall be in substitution for the bonds already delivered under article 12 (c) of Annex 2 of the treaty, and shall be issued in such form and in such denominations as the Reparation Commission shall prescribe for the purpose of making them easily negotiable in the following series:—

- (a) Bonds to be issued and delivered to the Reparation Commission forthwith for a total of 12 milliards gold marks, to bear interest at 5 per cent. per annum from the 1st May, 1921, with a provision therein for the payment of an additional 1 per cent. for sinking fund, hereinafter referred to as bonds of Series (A).
- (b) Bonds for a further 38 milliards gold marks to be issued and delivered to the Reparation Commission on the 1st November, 1921, bearing interest from that date at 5 per cent. per annum, with a provision therein for the payment of an additional 1 per cent. for sinking fund, hereinafter referred to as bonds of Series (B).
- (c) Bonds for the remaining amount of approximately 65 [85] milliards of gold marks, as the Reparation Commission may determine to be issued and delivered by the German Government to the Reparation Commission on demand made as and when it is satisfied that the payments which Germany undertakes to make in pursuance of this agreement are sufficient to provide for the payment of interest and sinking fund thereon. The bonds to bear interest at 5 per cent. per annum from the date of demand by the commission, with a provision therein for the payment of an additional 1 per cent. for sinking fund, hereinafter referred to as bonds of Series (C).
- 3. The bonds shall be secured on the whole of the assets and revenues of the German Empire, and, in particular, on the specific assets and revenues specified in clause 3 [8].

The service of the bonds of Series (A), (B) and (C) shall be of a first, second and

third charge respectively on the said assets and revenues, and shall be met by the payments to be made by Germany under this agreement.

4. The Reparation Commission shall forthwith sell the bonds of Series (A), and shall distribute the proceeds among the Allies in the proportions laid down in the Spa Agreement, subject to such adjustments as may be necessary to preserve the priorities provided therein.

The Reparation Commission shall hold the bonds of Series (B) and (C) as and when issued and delivered for the account of the interested Powers, in accordance with the proportions laid down in the Spa Agreement, and shall sell them either direct or through a subsidiary organisation appointed by the commission as and when it appears to it to be desirable. The proceeds of such sales shall be distributed by it between the interested Powers in the proportions provided by the Spa Agreement.

- 5. Germany agrees to pay in each year, until the redemption of the bonds provided for in clause 2, by means of the sinking funds attached thereto—
 - (1) A sum of 2 milliard gold marks.
 - (2) A sum equivalent to 25 per cent. of the value of her exports in each period of twelve months starting from the 1st May, 1921, as determined by the Reparation Commission, or, alternatively, an equivalent amount produced by the operation of any other index proposed by Germany and accepted by the Reparation Commission.

Provided always that when all Germany's obligations under this agreement, including the debit referred to in clause 12, other than her liability in respect of outstanding bonds, have been discharged the amount to be paid in each year under this paragraph shall be reduced to the amount required in that year to meet the interest and sinking fund on the bonds then outstanding.

Subject to the provisions of the following clause, the payments to be made in respect of (1) shall be made not later than one month before the date upon which interest is payable on the bonds, and the payments in respect of (2) shall be made within two months of the close of each period.

- 6. Germany will pay 150 million gold marks in gold or approved foreign bills within ten days from the date of the present agreement and 850 million gold marks similarly within three months of the date of the first payment. These payments will be treated as the first instalment on account of the payment provided for in clause 5 (1) supra.
- 7. The Reparation Commission shall within fifteen days of the acceptance by Germany of this agreement establish a special sub-commission, to be called the Committee of Guarantees, consisting of representatives of the Allied Powers now represented thereon, including representatives of the United States of America in the event of that Government desiring to make the appointment, which shall have power and be required to co-opt not more than three representatives of nationals of other countries whenever it shall appear to the Reparation Commission that a sufficient portion of the bonds to be issued under this agreement is held by neutrals as to justify representation as [on] the Committee of Guarantee.
 - (Note.—Subject to reservation by the British Empire as regards effect on paragraph 10 and to its operation before default.)
- 8. The Committee of Guarantees shall be charged with the duty of securing the application of articles 241 and 248 of the Treaty of Versailles. It shall be com-

petent to supervise, but without administrative interference in the collection, the application of the funds proceeding from the assigned revenues or assurity, which shall be—

(i) The proceeds of all German maritime and land customs and duties, and, in particular, the proceeds of all import and export duties or of such other security as may be accepted by the Reparation Commission on the proposal of Germany in lieu thereof, which shall be paid in gold or in foreign currencies approved by the Reparation Commission. No modification, whether administrative or legislative, tending to diminish the receipts of such duties or substitution of other security for the duties specified in this clause shall operate without previous consent of the Committee of Guarantee.

Reserve by British Empire

- (ii) The proceeds of a levy of 25 per cent. on the value of all exports from Germany, which shall be paid in gold or foreign currency approved by the Reparation Commission. The equivalent in German currency of the foreign currency assigned hereby to the service of the bonds aforesaid shall be paid by the German Government to the exporter.
- (iii) The proceeds of such direct or indirect taxes as may be proposed by the German Government for the purpose of providing the sums required for the service of the bonds aforesaid.

The produce of the revenues designated in this clause shall be paid without administrative interference on the part of the Commission of Guarantee to an account to be opened in the name of the commission and supervised as directed by it.

The Commission of Guarantee shall be charged further with the duty of conducting, on behalf of the Reparation Commission, the examination of clause 12 (b) of Annex II of Part VIII of the Treaty of Versailles, and of verifying, on behalf of the Reparation Commission, and, if necessary, of correcting the amount declared by the German Government as the value of her exports for the purpose of the calculation of the sum payable in each year under clause 5 (2) of this agreement, and the amounts of the revenues assigned under this clause to the service of the bonds aforesaid. The commission shall be entitled to take such measures without administrative interference as it may deem necessary for the proper discharge of its duties.

g. Germany shall forthwith provide such material and labour as any of the Allied Powers may require towards the restoration of the devastated areas of that Power, or to enable that Power to proceed with the restoration or development of its industrial or economic life. The value of such material and labour and of any other deliveries in kind under the treaty shall be determined by a valuer appointed by Germany and a valuer appointed by the Power concerned, and, in default of agreement, by a referee nominated by the Reparation Commission.

(Note.—This is subject to reserve on the part of France and Belgium.)

10. Germany shall take every necessary measure of legislative and administrative action to facilitate the operation of 'The German Reparation Recovery Act, 1921,' in force in the United Kingdom, and of any similar legislation enacted by any Allied Power. Payments effected by the operation of such legislation shall be credited to Germany on account of the payment to be made by her under clause 2.

- 11. Germany shall be credited with the value of deliveries under clause 9 and of any other deliveries in kind under the treaty towards her liability to provide interest and sinking fund upon the bonds of Series (A) and (B), and of such bonds of Series (C) as may have been issued and delivered to the Reparation Commission. The credit arising under clauses 10 and 11 may be satisfied by the surrender to Germany of coupons of such bonds. Any Allied Power receiving deliveries under clause 9 or under the treaty, or the Reparation Commission on her behalf, may discharge the credit to be accorded to Germany under this clause by the delivery for cancellation of coupons of such bonds held by her or for her account as the case may be, maturing at the date of payment next succeeding the date on which the account of her deliveries has been made up by the Reparation Commission. The amount of the coupons so cancelled in any year shall be deducted from the payment to be made on the next following and subsequent years by Germany under clause 5.
- 12. Simple interest at the rate of $2\frac{1}{2}$ per cent. per annum from the 1st May, 1921, until the 1st May, 1926, and of 5 per cent. per annum thereafter shall be debited at the end of such year against Germany in the books of the Reparation Commission on that part of the debt specified in clause 1 which is not for the time being covered by bonds. If in any year after the 1st May, 1926, there shall remain a surplus out of the payments made by Germany under clause 5, including the value of deliveries in kind under clauses 9 and 11, and any other deliveries in kind under the Treaty of Versailles, after providing for the service of the bonds for the time being outstanding, the surplus shall be applied to the discharge of this debt. After the expiration of the period or amortisation of the bonds of Series (A) and (B), the sums previously applicable to the services of those bonds shall be similarly applied until the whole debt has been discharged. Any eventual surplus shall be applied to the reduction of the capital outstanding.
- 13. The Allies agree to accept in complete discharge of Germany's liability in respect of reparation the payments provided for herein.

May 2, 1921.

No. 82

I.C.P. 196] British Secretary's Notes of an Allied Conference held at 10, Downing Street, S.W., on Tuesday, May 3, 1921, at 11 a.m.

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister (in the Chair); The Rt. Hon. A. Chamberlain, M.P., Lord Privy Seal; The Rt. Hon. the Earl Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; The Rt. Hon. Sir L. Worthington-Evans, Bt. M.P., Secretary of State for War; The Rt. Hon. the Lord Lee of Fareham, G.B.E., K.C.B., First Lord of the Admiralty; The Rt. Hon. Sir G. Hewart, K.C., M.P., Attorney-General; POLITICAL AND FINANCIAL EXPERTS, Mr. Vansittart, Mr. Kerr, Mr. Malkin; NAVAL AND MILITARY EXPERTS, Earl Beatty, Admiral of the Fleet, Field-Marshal Sir H. H. Wilson; SECRETARIES, Sir M. Hankey, Col. S. Wilson.

France: M. Briand, President of the Council; M. Loucheur, Minister for the Devastated [sic] Regions and Reparations; M. Berthelot, Secretary-General of the Foreign Office; M. Doumer, Minister of

Finance; Political and Financial expert, M. Fromageot; NAVAL AND MILITARY EXPERTS, Marshal Foch, O.M., G.C.B., General Weygand, Admiral Grasset; SECRETARIES, M. Massigli, M. Chastenet.

Belgium: M. Jaspar, Minister for Foreign Affairs; Colonel Theunis, Minister of Finance; MILITARY EXPERTS, General Maglinse, Colonel Termonier; SECRETARIES, Viscount Davignon, Viscount Terlinden.

Italy: Count Sforza, Minister for Foreign Affairs; Marquis della Tor-[r]etta; POLITICAL AND FINANCIAL EXPERTS, Signor Galli, Baron Prato, Signor Giannini; MILITARY EXPERTS, General Marietti, Commandant

Japan: Baron Hayashi, Japanese Ambassador in London; Viscount Ishii, Japanese Ambassador in Paris; MILITARY EXPERT, General Watanabe: secretaries, Mr. Yoshizawa, Mr. Sawada.

INTERPRETER: M. Camerlynck.

1. Communication to be sent to the United States Government

MR. LLOYD GEORGE said that as Marshal Foch¹ had not arrived it might be possible, while waiting for him, to decide what communication, if any, should be sent to the United States Government. He asked Lord Curzon to give to the conference his proposals in this connection.2

LORD CURZON said that there were two questions to be considered. The larger of these was the extent to which the United States was likely to be prepared to take part in the Allied discussions; the second, and smaller one, was what steps were to be taken to inform the United States Government of what had been decided by the present conference. He thought they might be informed of the satisfaction it had given the Allies to know that the United States Government were ready to interest themselves in the discussions which were going on with Germany, and how cordially the Allies would welcome their co-operation, not only in the Supreme Council, but also in the Council of Ambassadors and the Reparation Commission. Such an invitation would have to be sent formally to the American Government from the Supreme Council. He thought it would also be desirable to inform the American Government not only of the decisions arrived at, but also of the reasons leading up to these decisions. Owing to the fact that the United States could not take an active part in the measures contemplated against Germany, it would be very easy to make some excuse, if such was thought necessary, for their not having been invited to take part in the present conference. Again, in view of the fact that the German Government were supposed to have said that they would be ready to do anything the United States thought right, he did not know if the Supreme Council would think it worth while suggesting

¹ President of the Allied Military Committee of Versailles.

I. XV

² On May 2 Lord D'Abernon noted as follows: '... Regarding the desirability of bringing America in to the negotiations and the operation, both L[loyd] G[eorge] and Curzon appear to be hostile more or less on narrow grounds. As somebody in the F[oreign] O[ffice] said, "you hear Curzon talking about America and you think it is Lord North". L.G. is also not quite free from the feeling that he does not want another boss in.' (Lord North was Prime Minister (1770-82) at the time of the American War of Independence.)

N n

to the United States that pressure might be brought to bear on Germany to comply with the Allies' demands.

M. Briand said he quite agreed that it was necessary for each of the Allied Powers to thank the United States Government for what they had done, and he also concurred in the proposal to invite them to take part in the discussions of the Supreme Council, the Council of Ambassadors and the Reparation Commission. It would be very easy for the Allies to excuse themselves for not having invited them earlier to do this, as it would have been a rather thankless job to have asked them to take part in the present deliberations. But it would be a different matter when the council had 'weathered the Cape.' He thought, from the point of view of thanking the United States for the negative attitude they had adopted in connection with the present situation, it would be better if this were done by each Power individually, but the invitation to take part in their future deliberations would have to be sent collectively. From what had appeared in different communications in the press, it seemed obvious that the German Government had sent a new note to the United States.3 He did not know what the United States would do. but his own idea was that this new note had probably crossed that from the United States telling the German Government that they had better communicate with the Allies direct.4 He did not altogether agree with Lord Curzon's proposal to ask the United States Government at the present stage to bring pressure to bear on Germany to accept the decisions of the conference. This might embarrass the American Government. If the latter wished to intervene, it would certainly notify the Allies, who could then make known their views to it.

LORD CURZON said it was not his suggestion that the Supreme Council should ask the American Government to put pressure on the German Government unless further communications took place between the two Governments and they were given a convenient opportunity of offering them good advice.

COUNT SFORZA expressed the view that it should be left to the Government of each country to thank the United States Government individually for the attitude they had recently adopted in the negotiations with the German Government. He thought, however, that the invitation to them to take part in the discussions of the Supreme Council and the other Allied bodies should be sent collectively.

LORD CURZON undertook to have the draft of a telegram to the United States Government prepared for the consideration of the conference.

Subsequently Lord Curzon read to the meeting the draft of a telegram, the terms of which were approved and are given in Appendix 1.

³ e.g. a report from New York, dated May 2, and printed in *The Times*, May 3, p. 10, announced that 'a new German note was received in Washington this morning.... Nothing is known of the details of the Note but it is understood to embody some approach to the Allies' demands.' No German note of this date has been traced.

⁴ This note of May 2 from the U.S. Government is printed in F.R.U.S., 1921, vol. ii, pp. 54-55.

2. Military Operations in the event of Germany failing to comply with the Allied Demands

MR. LLOYD GEORGE said he thought that the Supreme Council should now ask Marshal Foch, whom they were always glad to see, to explain his plans for the occupation of the Ruhr Valley.

MARSHAL FOCH said that the plan which had been prepared was based on the calling-up by the French army of part of the 1919 class, which would provide six French divisions and 2 cavalry divisions, in addition to the troops of occupation. The plan for the occupation of the Ruhr Valley provided for the use of six French and one Belgian division, in addition to any British troops which might be provided for the purpose by the British Government. This would give sufficient troops to encircle the Ruhr Valley in one day, and, provided that the operation could be carried out in that manner, it was thought that it would be possible to avoid any small skirmishes which might take place if any sign of weakness were shown. In this way the whole of the Valley of the Ruhr could be occupied in one day, and the cavalry corps would be directed towards Hamm, but would not occupy that place, although all railway communications there would be stopped. As regards the occupation of the centre part of the valley, the proposal was to send police posts to take charge of all important points, such as railway junctions. An operation of this kind would, in his opinion, show the adversary that there was no use in offering any opposition, and the whole idea of the scheme was to avoid all discussion by making it clear at once that the Allies were masters of the situation.

MR. LLOYD GEORGE asked Marshal Foch if his plan would make it impossible for any German goods to get into and through Holland?

MARSHAL FOCH replied that a certain number of the communications to Holland would be held, but not all.

MR. LLOYD GEORGE said that was the point he wanted to make clear, as apparently, in order to stop all German merchandise, it would be necessary also to hold Hamm.

MARSHAL FOCH thought that even this would not completely stop all German merchandise.

MR. LLOYD GEORGE said that in that case it was a much bigger operation than he had thought.

Marshal Foch, continuing his explanation of the French plan, said that a general would be appointed to command the Allied force, and martial law would be established in Duisburg and Ruhrort. Agents would be appointed throughout the country to keep in touch with the local authorities and to keep things going, and according to whether the occupying troops were French, Belgian or British the agents would be of these nationalities. He did not foresee any difficulty as regards the feeding of the population, for, if food could not be got from the unoccupied part of Germany, all the arrangements had been worked out for getting it from elsewhere.

At this stage Marshal Foch handed to Mr. Lloyd George a map showing

the location of the different troops as they would be after the first day of the occupation.

MR. LLOYD GEORGE asked what Marshal Foch contemplated doing in the event of the Germans allowing the occupation to take place, and took [? taking] no notice of the Allied action? Was it the intention to extend the area of occupation in order to bring further pressure to bear?

Marshal Foch answered that in the circumstances referred to the Allies could effectively exercise control by seizing the produce of the tax of 50 paper marks per ton of coal which was actually levied by the German Government on the produce of the Ruhr mines. This tax could be increased and the Allies could so control the distribution and division of the Ruhr coal in their own interests.

MR. LLOYD GEORGE asked if Marshal Foch did not contemplate in the case of default, the occupation of a new portion of German territory.

MARSHAL FOCH declared that such an occupation would only be possible if it was preceded by a fresh call of men to the colours, but this operation was not to be wished for. It was not desirable in any case to weaken the German Government which was already very decrepit, and the powerful industrial German interests would be affected by the occupation of the Ruhr.

MR. LLOYD GEORGE asked if in these conditions Marshal Foch thought an occupation of Berlin would ultimately be advantageous.

MARSHAL FOCH and M. BRIAND replied in the negative.

MR. LLOYD GEORGE asked if any of the other Allied representatives had any questions to ask.

COUNT SFORZA, M. JASPAR and BARON HAYASHI replied in the negative.

(A plan for the military occupation of the Ruhr Valley as explained to the conference by Marshal Foch was approved.)

3. Naval Operations in the event of Germany failing to comply with the Allied Demands

MR. LLOYD GEORGE said he would ask Lord Beatty to explain to the conference the possibility of blockading the German coast.

LORD BEATTY said that the only effective measures open to the naval forces consisted of a blockade of one of two forms, viz., a complete blockade, which was practically an act of war and carried with it serious consequences, or an incomplete blockade, which was one of a specific character and involved dealing only with vessels of certain nationalities. It would be perfectly possible to stop all German vessels entering or leaving Hamburg and Bremen. Lord Beatty then read to the conference a statement showing the number of ships of various nationalities which had entered and left Hamburg during the month of March, 1921, for which see Appendix 2. The figures for the numbers of vessels entering and leaving Bremen were not up to date, but he thought they might be taken as being half of those given for Hamburg. There had been a considerable increase in the number of lines sailing from Hamburg, and there were now about eighty different lines altogether using

the port. Seventeen of these were wholly American, and thirteen or fourteen British, while, so far as he knew, there were about twelve actually German. The depth of water at the ports of Hamburg and Bremen would not allow of vessels bigger than light cruisers being used, and as the ports were 60 or 70 miles up the rivers a considerable risk would be run in sending vessels actually up to the ports unless some steps were taken to hold the forts at the entrance and the banks of the rivers. Moreover, if vessels were actually sent up to the ports and remained there, their practical value would be nil, and the effect of their being there would only be moral. It would, of course, be perfectly possible to station ships at the entrance to the rivers, provided the fortifications were rendered innocuous.

Mr. LLOYD GEORGE said he would like to hear the views of Admiral Grasset.5

ADMIRAL GRASSET said that he took the same view as Lord Beatty. It would be very easy to carry out a blockade. The sending of ships to Bremen and Hamburg would only be dangerous if Germany decided to reopen hostilities. Only small ships should be sent up the rivers carrying the customs officials required to establish at Bremen and Hamburg the customs-houses which the Allies might ultimately decide to set up there.

COUNT SFORZA said that he had already expressed serious doubts as to the expediency of establishing a blockade.

MR. LLOYD GEORGE said that the legal experts had been interchanging views and he would now like to call on them to give their opinion to the conference.

SIR GORDON HEWART said the question was not only a difficult one, but he thought unique. They knew what was meant by a 'pacific blockade' and a 'complete blockade' as established in the war, but the measures contemplated in articles 17 and 18 of Annex 2 of Part VIII of the Treaty of Versailles did not constitute either one or the other. No doubt as between the Allies and Germany the provisions of these articles held good, but that fact could not diminish the rights of neutral Powers who might or might not consent to recognise the terms of these articles. If it were decided to take any measures of the nature of a blockade, he suggested to the conference that it would be desirable in the first instance to ascertain the attitude of some, at least, of the neutral Powers. Even if notice were given of a blockade, it might be difficult physically to make it effective, and if a neutral ship attempted to run the blockade the consequences might be extremely serious. If such a ship were taken before our Prize Court he was not prepared to say what would be the judgment, but there might well be an award of damages, and if the ship were turned back it might be regarded as a casus belli.

M. Fromageot said there were many precedents for establishing a blockade in time of peace, and gave as an example the action of Great Britain against Venezuela in 1892, when the United States Government protested, but without any result. If a pacific blockade were to be established there would, no doubt, be great difficulties which would have to be met, but he thought that these difficulties might be avoided if the chief aim were merely to be to

⁵ French representative on the Inter-Allied Naval Commission of Control in Germany.

force payments being made to the Allies. The most usual way was to seize the customs-houses at certain maritime ports, and he suggested that it would make little difference to a neutral ship as to which port she had to go, so long as she knew where the customs-houses would be open. He thought it would be better not to establish a regular blockade, but merely to give instructions that all ships must go to certain ports, where the Allied fleet had occupied the customs-houses and where the dues could be confiscated to the profit of the Allies. The situation was very similar to that existing at the end of 1914, when the Allies were contemplating a blockade of Germany, resulting, early in 1915, in their forbidding all trade with that country.

SIR GORDON HEWART said that the proposals outlined by M. Fromageot had been brought to his notice that morning. They did not in his opinion provide for a blockade, but rather for the opposite. A blockade was most successful when it prevented all maritime communication, but the object of the proposals outlined by M. Fromageot was apparently to encourage and control the maximum amount of commerce so as to bring the maximum amount of money into the hands of the Allies.

Mr. LLOYD GEORGE pointed out that in order to carry out M. Fromageot's scheme it would not only be necessary to occupy the ports at which the Allies wanted to be in possession of the customs-houses, but it would also be necessary to occupy the other ports in order to prevent their being used.

Count Sforza said it appeared to him that the measures proposed by M. Fromageot could not possibly work, and as regards a blockade he was personally of opinion that it would be beset with so many difficulties and inconveniences both political and otherwise, that it would end in being a disadvantage to the Allies.

M. JASPAR said he had no remarks to offer.

BARON HAYASHI agreed with Count Sforza in thinking that a blockade would be beset with so many difficulties as to make its establishment a matter of doubtful expediency.

M. Briand said he felt very reluctant to offer any opinion after such strong views had been expressed by some of those present. He fully realised the difficulties attending the establishment of a blockade, but he did think that an operation of that character would have a great moral effect. It was only necessary to read the German paper[? s] to see that what they feared most was some form of naval action on the part of the Allies. He was not sure of what was in their minds, but it was probably the occupation of Hamburg. He quite saw the points raised by Lord Beatty and Admiral Grasset as regards the risk run in occupying Hamburg if the forts were not occupied, and also if the Germans were to place guns on the banks of the rivers; but he suggested that the situation would be entirely different if the forts were to be taken over by the Allies, and France had already said that she was willing to furnish any troops necessary for this purpose, even to the extent of a division. He would like to hear the views of Lord Beatty and Admiral Grasset, as to whether, if the forts were occupied, the occupation of Hamburg would, in their opinion, be a feasible operation. Hamburg was a very important place, and he thought that if a British fleet were to cast anchor at the entrance to the river and lighter craft were to be sent up the river at the same time as landing troops, it would have a tremendous moral effect. If, however, the admirals thought that, even in such circumstances, the risk would be too great, he must bow to the decision of the conference.

LORD BEATTY said he would like to point out that the question was not really a naval one so much as a political and military one. All the British Admiralty were asking for was some measure of security against attack from the land if British warships were to be sent up the rivers to occupy the ports in question. If the political and military authorities said there was no danger in this respect, there was no reason why ships should not be sent to the harbours in question. He would like to point out, however, that if it were a question of occupying customs-houses, soldiers on shore would be better than ships. There was no reason why the operation should not be carried out, provided there was some guarantee that the ships could be got back again.

MR. LLOYD GEORGE said he was rather reluctant to take part in the discussion, as he did not want to give any impression of tardiness on the part of the British Government in assisting to bring pressure to bear on Germany. Unfortunately, however, domestic troubles at home had resulted in not so many British troops being available as he would have desired, and also he would have liked to help with the navy. The question was partly military, as Lord Beatty had said, and, in that respect, a matter for Marshal Foch, but it was mainly political. Germany was, no doubt, very much afraid of naval action. Not only did she fear the occupation of Hamburg, but also of [sic] a general blockade and the cutting off of her supplies, as she had vivid recollections of what had happened during the war. This made him all the more reluctant to impose such a blockade at the present stage. At the same time, he agreed that it would be a great mistake to say that the Supreme Council had made up their minds not to take any naval action, and, in the circumstances, he would suggest that for the moment they should let it be known that they were studying the question of naval operations and regarded them as a possibility. Everyone should be allowed to know this, and an opportunity should be taken in the meantime to sound the United States regarding their attitude. The most important point in his mind was the attitude likely to be taken up by the American Government. He would suggest to the conference that they should let it be known that they were contemplating the adoption of severer measures if the occupation of the Ruhr Valley did not result in the German Government acceding to their demands.

M. Briand said he entirely concurred in what Mr. Lloyd George had said, and he thought that the proposal to advertise that the conference was studying the possibility of naval action was a good one and would have a very wholesome effect. If Germany stood up with folded arms and watched the occupation of the Ruhr it would be awkward, and he thought it was very desirable that she should be led to believe that further measures were contemplated. The occupation of the Ruhr entailed the maximum effort of which France was capable, and they would be very reluctant to attempt more.

The Germans were fond of going to extremes and of standing on the edge of a precipice, and he thought the fact of their knowing that the Allied Conference were studying the possibility of taking further measures might just have the effect of making them fear that they would be pushed over. Like Mr. Lloyd George, he, M. Briand, was much concerned with the probable attitude of the United States, but when the Americans had been asked to sit on the Supreme Council and had accepted the invitation, they would themselves share in the preparation of the contemplated decisions, looking at them perhaps from a somewhat different point of view. In the meantime it was necessary to inform them that no action in this direction would be taken without their concurrence.

MR. LLOYD GEORGE suggested that the French Government should undertake to approach the United States Government on the question of a possible blockade being established, as he wanted the United States Government to realise that the proposal was not made with a view to stopping German commerce, but was really with a view to bringing further pressure to bear on her to carry out her treaty obligations.

LORD CURZON said that perhaps M. Briand would consider the desirability of not communicating with the United States Government immediately. The reason he raised this point was that it had only just been decided to invite the American Government to take part in their discussions, and they all hoped that this invitation would be accepted. If, on the other hand, at the same time as the Americans were asked to join in their discussions they were told that there was a possibility of the Allies blockading the German coast, they might get alarmed.

M. Briand agreed.

MR. LLOYD GEORGE said he thought that the conference might leave this matter to the discretion of M. Briand, and this was agreed to.

The conference agreed—

That it should be made known that the Allied Conference were studying the possibility of taking naval action against Germany in the event of the military occupation of the Ruhr not having the desired effect, and that in the meantime the French Government should be invited to sound the United States Government as to their attitude on the question of naval action: the moment for doing this to be left to the discretion of M. Briand.

- 4. The communiqué to the press, the terms of which are given in Appendix 3, was approved.
 - 2, Whitehall Gardens, May 3, 1921.

APPENDIX I TO No. 82

Draft of Telegram to H.M. Ambassador, Washington⁶

Following for United States Government from Prime Minister:—

- 'As president of the Allied Conference, which has just completed its sittings?
- ⁶ This telegram was sent on May 4 at 10.30 p.m. as No. 257 from the Foreign Office.
- 7 In the final text this phrase read: 'which is just completing its sittings'.

in London, I am authorised, with the unanimous concurrence of all the Powers here represented, to express to the United States Government our feeling that the settlement of the international difficulties in which the world is still involved would be materially assisted by the co-operation of the United States; and I am therefore to enquire whether that Government is disposed to be represented in future, as it was at an earlier date, at Allied conferences, wherever they may meet, at the Ambassadors' Conference, which sits at Paris, and on the Reparations Commission.

'We are united in feeling that American cognisance of our proceedings, and, where possible, American participation in them, will be best facilitated by this procedure.'

APPENDIX 2 TO No. 82

Numbers of Vessels Entering and Leaving Hamburg in March 1921

Ships Entering	Ham	burg in	ı Marc	ch 1921.	Ships Leaving	Hai	mburg i	n Ma	rch 1921
German				276	German		•		351
British .				118	British				115
American	•			39	American				39
Dutch .				34	Dutch				40
Danish.				24	Danish		•		28
Norwegian		•	•	23	Norwegian	•	•		23
French .		•		16	French		•		14
Swedish				9	Portuguese		•		4
Danzig .				10					
Portuguese			•	5					
Japanese			•	4					
Spanish	•		•	3					

APPENDIX 3 TO No. 82

Press Communiqué

The Allied Conference met at 10, Downing Street at 11 a.m. and discussed with Marshal Foch, Admiral of the Fleet Earl Beatty, Field-Marshal Sir Henry Wilson, Admiral Grasset, General Maglinse, General Marietti and General Watanabe measures of military and naval coercion for application against Germany in the event of her continuing to evade her treaty obligations.

The application of progressive measures was considered, beginning with the occupation of the Ruhr, the plan for which was approved, and comprising later, should the situation demand it, naval measures, the scope of which is being studied.

No. 83

I.C.P. 197] British Secretary's Notes of an Allied Conference held at 10, Downing Street, S.W., on Tuesday, May 3, 1921, at 3 p.m.

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister (in the Chair); The Rt. Hon. the Earl Curzon of Kedleston,

K.G., Secretary of State for Foreign Affairs; The Rt. Hon. Sir R. Horne, G.B.E., K.C., M.P., Chancellor of the Exchequer; The Rt. Hon. E. S. Montagu, M.P., Secretary of State for India; The Rt. Hon. Sir L. Worthington-Evans, Bt., M.P., Secretary of State for War; The Rt. Hon. Sir A. Mond, Bt., M.P., Minister of Health; Political and financial experts, Lord D'Abernon, Sir B. Blackett, Mr. Vansittart, Mr. Fass, Mr. Kerr, Mr. Malkin, Mr. Brittain; Secretaries, Sir M. Hankey, Mr. Howorth, Mr. Wicks.

France: M. Briand, President of the Council; M. Loucheur, Minister for the Devastated [sic] Regions and Reparations; M. Doumer, Minister of Finance; M. Berthelot, Secretary-General of the Foreign Office; POLITICAL AND FINANCIAL EXPERTS, M. Seydoux, M. Tannery, M. [de] Margerie, M. Petsche, M. Fromageot, M. Ader, M. [de] Felcourt; SECRETARIES, M. Massigli, M. Chastenet.

Belgium: M. Jaspar, Minister for Foreign Affairs; Colonel Theunis, Minister of Finance; POLITICAL AND FINANCIAL EXPERT, M. Bemelmans; SECRETARIES, Viscount Davignon, Viscount Terlinden.

Italy: Count Sforza, Minister for Foreign Affairs; Marquis della Torretta; POLITICAL AND FINANCIAL EXPERTS, Signor Galli, Signor d'Amelio, Signor Giannini; SECRETARY, Signor Ricotti.

Japan: Baron Hayashi, Japanese Ambassador in London, Viscount Ishii, Japanese Ambassador in Paris, Mr. Kengo Mori; secretaries, Mr. Saito, Mr. Yoshizawa, Mr. Sawada.

INTERPRETER: M. Camerlynck.

MR. LLOYD GEORGE suggested that the conference should come at once to the point which was presenting the greatest difficulty and was, in fact, the only serious obstacle to an accord being reached by the conference. This question related to the ultimate disposal of the balance of debt not covered by bonds, whether interest should be charged on this unfunded debt, and, if so, at what rate. If Germany was unable to pay such interest was it to accumulate over the entire period? A proposal had been put forward which the British delegation was prepared to adopt under which only part of the interest should, in certain events, be accumulated and debited against Germany. He (Mr. Lloyd George) fully realised the political difficulties of the French delegates and appreciated that the difficulties of the other delegates were not so great. He could not, however, help thinking that if the situation was properly explained to the French Chamber and to French public opinion, it would be realised in France that some scheme for alleviating the position was to be preferred to the plan piling up against Germany a new obligation which could never be satisfied. Under clause 2 of the document it was proposed to issue bonds of three series for 12, 38 and 85 milliards of gold marks respectively, and Germany was to pay the equivalent to 25 per cent. of the value of her exports annually as determined by the Reparation Commission. The conference should realise how the position stood. If Germany declined to accept the arrangement and the Allies proceeded to occupy the Ruhr ¹ See No. 81, Appendix.

Valley, to institute a blockade and to adopt other military and economic coercive measures, the bonds which it was proposed to issue would be of practically no value. People would not take them up because they would be secured on the assets of a country in foreign occupation, and the financial markets were particularly sensitive to matters of this kind and would fix the value of the bonds after paying due regard to considerations other than their actual intrinsic value. On the other hand, if Germany was to accept the document and carry out the various provisions regarding the 25 per cent. export levy and the customs provisions, the bonds would have a substantial value, not perhaps a par value, but still a value which would appreciate as time went on. How much better it would be that this state of affairs should exist rather than that terms should be inserted in the document which would frighten the German Government, and might indeed just make the difference between that Government accepting or rejecting the scheme as a whole. He (Mr. Lloyd George) could not say what the attitude of the German Government towards the scheme would be, but he felt sure that it would have a far better chance of acceptance if it stated clearly and without possibility of doubt the precise obligations to be imposed upon Germany and did not contain any provisions of a speculative and uncertain character. He earnestly hoped that the conference would take courage and incur any political risks which the situation demanded. What was important was that an immediate value should be given to the bonds to be issued by the German Government so that the hopes raised in Allied countries of obtaining tangible reparation from Germany would be realised. He wished to put this point of view as strongly as possible to M. Briand, M. Doumer, M. Loucheur and M. Jaspar and M. Theunis. He understood that this view was accepted by the Italian and Japanese financial experts. Stated briefly, his plan was to get immediate cash for reparation purposes rather than the occupation of the Ruhr Valley.

Count Sforza and Baron Hayashi concurred.

M. Briand said that he had the strongest desire to give a favourable answer to the appeal addressed to him by Mr. Lloyd George, but it was not possible. The Paris Agreement had been severely criticised by the French Parliament. The Germans having rejected that arrangement, the French Chambers had unanimously demanded the application of the treaty. Doubtless the decision of the Reparation Commission regarding the total amount of Germany's indebtedness to the Allies has caused some disappointment, but this decision having been given in conformity with the treaty, France had accepted it. M. Briand said that he had come to London with a definite mandate. It was not open to him to agree to fresh concessions on the French claims. It would be very easy for his opponents in the Chamber to accuse him of having broken his word. If one tried to show on purely theoretical grounds that the proposed arrangement involved a risk of depriving the Allies of 20 milliards of their debt, the unanimity in France would be broken up. It was necessary above all to bear in mind that from the German point of view the question at issue was only a matter of detail. It was not one which

would determine whether Germany would reject or accept the scheme as a whole. There were some signs that Germany would accept. M. Briand concluded by asking the Allies not to forget that France, being Germany's principal creditor, would bear by herself more than half the sacrifice that was now under consideration. Let the matter be left to the decision of the Reparation Commission.

MR. LLOYD GEORGE suggested that the financial experts should meet together and endeavour to agree on some formula.

M. Doumer remarked that in effect this had already been done. The financial experts had agreed a formula which substantially represented a suggestion put forward by the British experts. The French delegates had already made very great sacrifices, if the payment of the 132 milliards of gold marks spread over thirty years represented a present value of only 30 milliards of gold marks, and France had contended that the Allies were entitled not merely to simple, but to compound interest. The British experts had agreed with the logical justice of the French representations, but had maintained that compound interest would give too heavy a charge at the conclusion of the period. With great reluctance the French delegates had given up their claim to compound interest, but they could not agree to forgo interest altogether as this would be in their opinion a fatal step to take.

MR. LLOYD GEORGE said that he wished to make it clear that he thought M. Doumer was absolutely right in logic, but at the same time he must also point out to the conference that persuasion of one party by another at the conference did not mean that the Allies would get cash from the Germans. If the Allies now put forward impracticable proposals, the whole plan upon which so much time and thought had been expended, would be endangered. He was trying as hard as he could to get that money for restoring the devastated regions in France, which the French Government was so anxious to repair, but he sincerely felt that if this particular provision was insisted upon, there was a great danger that Germany would reject the scheme and that the whole plan, which reflected the greatest credit on the experts who had devised it, would be endangered. It was proposed to issue bonds as and when Germany could pay. Bonds worth 85 milliards of gold marks would for the time being remain in suspense. Were the Allies prepared to throw away all the benefits and advantages of the scheme for a mere paper provision which was never likely to materialise? The French delegates had spoken about a loss of 20 milliards of gold marks, but in any event there was no possibility of this payment being made. The Allies could only succeed in extracting from Germany up to Germany's full capacity to pay, and yet they were proposing to say that Germany was to pay something over and above what they admitted she was capable of paying. The Allies were not losing this money, they were, as Count Sforza suggested, risking the whole plan which, if adopted, would produce for France in this current year, a substantial sum for reparation. All this must be patent to reasonable men. He quite realised that there might be unreasonable men in the French Chamber as there were in the Parliaments of other countries, but in the main men were

reasonable beings, and were content to grasp the substance rather than to pursue elusive shadows, which would lead them into a morass. The decision on this matter was so important that he (Mr. Lloyd George) would regard it as a vital and acid test of statesmanship. It was the duty of statesmen to be courageous, and if the Allied Parliaments declined to endorse the decisions reached by the conference, then the responsibility should rest with the Parliaments. On the other hand, if the statesmen assembled together inserted something in the document which they knew to be wrong in the end, the countries to which they respectively were responsible would condemn them.

M. Jaspar thought it was not impossible to come to some compromise. He suggested that a small committee should be set up and should endeavour to reach some agreement.

COUNT SFORZA said that he agreed with M. Jaspar. While he did not wish to intervene on technical details, he suggested that possibly interest at 2½ per cent. only should be charged up to the point of time when the bonds were issued.

SIR LAMING WORTHINGTON-EVANS indicated objections to this proposal. It was agreed—

That the question should be referred to the following committee:—

Sir Robert Horne, Sir Laming Worthington-Evans, M. Doumer, M. Loucheur, Col. Theunis, Signor Giannini, and Mr. Kengomori [sic].

(The financial experts then left the conference, and Lord Curzon took the chair in the place of Mr. Lloyd George.)

[2.] Sanctions

The conference had under further consideration the draft resolution appended to A.J. 286, Revise.²

M. Briand drew the attention of the conference to a regrettable omission in the resolution which had been adopted on the previous day. In paragraph (c) (1), (3) and (4), it was laid down that Germany should accept 'without reserve or condition,' or 'without reserve or delay,' but in (c) (2) these words had been omitted. The Germans would be thus led to thinking that there was a difference between the undertakings demanded from them in the other paragraphs and the undertakings relative to the guarantees, the latter being not so absolute as the former.

Such an interpretation would be extremely dangerous. M. Briand asked that there should be introduced into this phrase the words 'without reserve or condition.'

LORD CURZON said that the words had been intentionally omitted, though there was no desire to weaken the force of the document. At the same time, it must be remembered that this particular part of the scheme was not within the four corners of the Treaty of Versailles, and it had appeared to him that

² i.e. No. 80, Appendix (not printed). The texts of the sections of the draft resolution referred to were the same in this Appendix as in the earlier draft, i.e. No. 79, Appendix, q.v.

there might be some doubt as to whether the Allies could compel Germany to accept without reserve or condition the guarantees in respect of the obligations demanded by the Allied Governments. On the other hand, the insertion of the words would give greater symmetry to the document, and their omission might lead the German Government to think that the Allies attached less weight to this provision than to other provisions.

COUNT SFORZA and M. JASPAR said that they accepted M. Briand's proposal.

It was agreed-

- (i) That paragraph (c) (2) should read:—
 - '2. To accept without reserve or condition the guarantees in respect of those obligations demanded by the Allied Governments.'
- (ii) To omit the words 'on the same date.'3

LORD CURZON suggested that section (4) of the preamble should read as follows:—

'4. Certain other important respects, notably those which arise under articles 264 to 267, 269, 273, 321, 322 and 327 of the treaty, decide:—'

The conference agreed—

To accept the terms of the resolution as amended, subject, however, to the scheme of the financial experts being agreed and adopted.

(The conference resumed after a short interval.)

[3.] Procedure

MR. LLOYD GEORGE enquired how the document containing the guarantees was to be communicated to Germany. Would the Reparation Commission adopt and send it to Germany or should the Allied Governments sent [sic] it in anticipation of the submission of the financial scheme by the Reparation Commission?

M. Briand thought that the two should be sent concurrently.

MR. LLOYD GEORGE suggested that the financial scheme should be sent to the Reparation Commission the same night in order that they might meet on the following day and then telephone to the Supreme War [sic] Council to say that they had adopted it, so that the Supreme War Council could forthwith communicate the sanctions to Germany.

M. Briand said that it was unlikely the Reparation Commission would agree without any deliberations. They would require a little time.

MR. LLOYD GEORGE asked what in that case the Allied Governments could communicate to Germany. They could not send a bare menace without letting the Germans know their proposals.

M. Briand answered that the Allies could send the German Government the political decision taken by the conference and make known to the German Government at the same time the nature of the document from the Repara-

³ For the suggested addition of these four words, see No. 80, p. 527.

tion Commission. When this latter document had been sent off to Germany, there could be sent at the same time the document concerning the guarantees.

Mr. LLOYD GEORGE said it was very unsatisfactory to send a document to Germany and merely inform her that she would receive a document from the Reparation Commission.

M. Briand suggested that the 'official' notification to Germany should be made at the same time as that from the Reparation Commission; that would not prevent earlier publication in the press.

MR. LLOYD GEORGE said that in that case the Germans would act on the official document and not on the press message.

M. MASSIGLI handed round a draft letter to Germany (see Appendix 1).

LORD CURZON pointed out that the difficulty was that the financial scheme containing the guarantees must go through the Reparation Commission.

The Allied Governments could not therefore communicate with Germany until they knew whether the Reparation Commission were going to forward it.

MR. LLOYD GEORGE said that Sir John Bradbury, who had left the preceding evening, must by this time have seen his colleagues and put the proposals before them. He suggested that they should be telephoned to and asked to meet early the next day. The final text of the document could be telegraphed to them. The representatives of the various Governments had given assurances the day before that their delegates on the Reparation Commission would have no difficulty in concurring.⁴

[4.] Financial Scheme

M. Bemelmans pointed out that the Reparation Commission were meeting on the following day to study the document.

MR. LLOYD GEORGE suggested that they should be asked to come to a decision at once, and as soon as their answer was received the whole document could be forwarded to the Germans. It was essential that the Germans should have the whole document at the same time.

M. BRIAND concurred.

M. Bemelmans pointed out that Sir John Bradbury had said that the Reparation Commission as such could not adopt the document. The position was that the Reparation Commission were drawing up a schedule of payments under the treaty and would no doubt be willing to draw attention to the alternative scheme prepared by the Allied Governments, and intimate to Germany that they would be ready to accept that if Germany concurred.

MR. LLOYD GEORGE asked what the Supreme Council were going to send to Germany. The Reparation Commission had nothing to do either with guarantees or sanctions. It was for the Supreme Council to transmit those.

M. BRIAND concurred.

SIR MAURICE HANKEY pointed out that it was very difficult to extract the guarantees from the financial scheme. They were inseparable from it.

MR. LLOYD GEORGE said that the whole plan with the sanctions must be sent to the Germans. The Reparation Commission had no right to impose

4 See No. 81, pp. 533-4.

guarantees. The Allies could inform the Germans that the Reparation Commission were sending a schedule of payments under the treaty which the Germans could accept if they preferred it, though they were heavier. It must be made clear in a letter that even if the Germans accepted the schedule of payments laid down by the Reparation Commission, the guarantees would equally apply.

(The financial experts entered at this stage.)

SIR LAMING WORTHINGTON-EVANS stated that the experts had agreed, subject to the approval of the council, on the scheme set out in Appendix 2 of these minutes.

The council approved the scheme and directed that the final drafting should be referred to a committee consisting of two representatives from each Power.

[5.] Procedure

The conference resumed the discussion on the procedure to be adopted when communicating their decisions to Germany.

MR. LLOYD GEORGE stated that it had been suggested that the Allies should send both the sanctions and the financial scheme to Germany, and should indicate that the Reparation Commission were meeting to consider a schedule of payments according to the treaty, which the Germans could accept if they preferred it, but that the guarantees would attach equally to the Reparation Commission's scheme as to the scheme submitted by the Allied Governments.

M. LOUCHEUR said the French Government agreed that the guarantees should apply equally to both schemes, and suggested that the council should adhere to the formula submitted on the preceding day:—

'The Reparation Commission notifies to Germany the method of payment in accordance with the treaty. At the same time, the commission indicates to the Germans that if Germany prefers the alternative attached, the commission is ready to accept it in agreement with the Governments.'5

The Reparation Commission should communicate both schemes to Germany, and the Governments should notify Germany that the guarantees applied equally to both schemes. He suggested that a letter could be prepared that evening to be sent to Germany.

Mr. LLOYD GEORGE said that, if it were proposed to leave it to the Reparation Commission to forward the scheme, it involved a delay from twenty-four to thirty-six hours. The moment the Allies received the figures from the Reparation Commission the whole of the document should be sent to Germany.

M. LOUCHEUR said that he hoped that the Reparation Commission would take a decision on the next day. M. Doumer was going over that evening.

Mr. Lloyd George said that the Reparation Commission could send their own figures to Germany; the Allies could communicate their scheme as an

⁵ See No. 81, p. 531.

alternative, and say that the Reparation Commission would communicate their figures, and add, that the guarantees applied to both.

M. LOUCHEUR thought that, if the Allies themselves communicated their plans to the Germans, they would show very clearly that this plan was considered by them as outside the provisions of the treaty. It was preferable that it should be the Reparation Commission which should be entrusted with the notification of the two alternatives. The Governments themselves had simply to inform Germany that, in the event of her preferring the scheme of the Reparation Commission, the guarantees mentioned in the other scheme would be treated as operative. These different notifications should be made on the same day.

MR. LLOYD GEORGE asked whether the Allied Governments could communicate anything to the Germans.

M. LOUCHEUR said that the Allies would notify Germany that she would receive two alternatives from the Reparation Commission, one of which would contain guarantees, and that the guarantees applied both to the normal and to the alternative scheme.

MR. LLOYD GEORGE asked whether the Reparation Commission would send the whole of the Allies' financial scheme to Germany.

M. LOUCHEUR said they might be entrusted by the Allies with the task of communicating it. The concurrence of the British representative would be required.

MR. LLOYD GEORGE said that Sir John Bradbury had accepted the formula in question but had always protested against having anything to do with guarantees. The 25 per cent. levy which formed part of the guarantees was also a modality, and he was afraid that the Reparation Commission would not agree to send it, and there would be a danger of their insisting on splitting the document in two. He wanted the German Government to get the document as a whole, representing the decisions of the Allied Powers. Mr. Lloyd George then asked whether it was possible to divide the document into modalities and guarantees.

SIR L. WORTHINGTON-EVANS said it was not. The whole document was one piece in so far as it related to Germany, though the Allies had a subsidiary agreement which had been taken out of the document intended for Germany.

M. Briand observed that it would be preferable that the payments contemplated in the scheme to be prepared by the Reparation Commission should not differ substantially from the payments contemplated in the document drawn up by the Supreme Council. Otherwise, the Allied Governments would seem to have overruled the Reparation Commission in the direction of granting Germany greater facilities than those which resulted from the application of the treaty. It was impossible that there should be different figures in the two documents. The best plan would be for the Reparation Commission to act alone.

MR. LLOYD GEORGE pointed out that there certainly was a gap. If the Reparation Commission had been in London it would have been possible

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to come to an agreement with them. What he was afraid of was that the Reparation Commission in Paris and the Allied Conference in London would be fixing different sets of figures.

M. Doumer said that if Mr. Lloyd George was of opinion that the Reparation Commission ought to accept the Allied scheme as a whole, he did not think there would be any difficulty in getting them to do so.

Mr. LLOYD GEORGE said that would be much the simplest.

M. LOUCHEUR questioned whether Sir John Bradbury would agree to that. Mr. LLOYD GEORGE said that if Sir John Bradbury were here it would be possible to argue the matter and come to an agreement. He suggested that perhaps it would be best if part of the French delegation remained behind in London, although M. Briand was obliged to go, and that the Reparation Commission should come over to London so that a common plan could be agreed upon. It would be much better if the Reparation Commission would accept the Allied scheme.

M. BRIAND concurred.

MR. LLOYD GEORGE then gave directions that a telephone message should be sent immediately to the Hôtel Astoria in Paris, where the Reparation Commission were then sitting, asking them to start for London that night.

COUNT SFORZA interposed that, when he had said that the Italian delegate on the Reparation Commission would accept the Allied scheme, he had only meant that he would agree to its transmission by the Reparation Commission as a channel of communication, not that the Reparation Commission should adopt it as their own.

SIGNOR D'AMELIO said that the Reparation Commission could not of its own accord adopt the text and forward it. The text would have to be fathered by the Governments. The Reparation Commission enjoyed full powers to do anything within the treaty, but they could not impose conditions outside the treaty.

MR. LLOYD GEORGE said that they could do it with the consent of the Governments, and that the Governments would give.

M. Briand repeated that great importance attaches to the Reparation Commission's plan not admitting of payments different from those contemplated by the Supreme Council; public opinion would not understand such a divergence. Perhaps the Reparation Commission would refuse to adopt the document of the Supreme Council, and what would happen if the commission were to insert in the forefront of its own plan annuities very favourable to Germany, more favourable, indeed, to her than those comprised in the plan of the conference? This dualism might lead to keen protests on the part of public opinion being raised.

M. Theunis asked to be allowed to state the legal position under the treaty as stated by Sir John Bradbury, who was well acquainted with it. It was not possible to ask the Reparation Commission to go outside the four corners of the treaty without legality [sic]. The treaty laid down annuities for thirty years. The commission had studied the resources of Germany, and had given Germany an opportunity to be heard in accordance with the treaty. They

could not accept the alternative scheme on the next day without consulting Germany. To do so would be to violate the treaty. M. Briand's scheme was impossible; it would make the figures at the end of the period so large as to be out of the question. Moreover, if the figures were fixed low at the beginning by the Reparation Commission, Germany would pounce on the proposal and leave the figures at the end of the period to take care of themselves. M. Briand had just informed him that he was convinced by this argument.

M. Briand observed that it was not there that the danger, in fact, lay. The best plan was to leave the Reparation Commission the task of carrying out this duty.

MR. LLOYD GEORGE said that articles 233 and 234 of the treaty required that Germany should be given an opportunity to be heard on the question of the whole debt, but such was not the case in respect of the method and periods of payment. Nothing was said about giving an opportunity to Germany to be heard on those questions. Germany had been invited to come before the commission when the question of the total debt was being settled, and had refused to come. The fault, therefore, was hers. Consequently, the Reparation Commission were in a position to decide, and there would be no breach of the treaty. He thought it should be possible to come to an agreement with the Reparation Commission on the following day. Germany had refused to appear before the commission because she said she was negotiating with the Allied Governments.

(M. Fromageot entered at this stage.)

Mr. Lloyd George said that possibly on such an important point M. Fromageot would not like to give an immediate answer. The question was, how were the Allies going to bring their financial scheme within the treaty and get the approval of the Reparation Commission to it? Was it competent for [sic] the Reparation Commission to adopt it on the following day?

M. Fromageot said that if the Reparation Commission thought the scheme was a fair means of carrying out the treaty he saw no reason why they should not adopt it. The Reparation Commission had been set up in order to provide equitable conditions of administration. They were bound by no rules; it was only their duty to apply to Germany the most equitable conditions, having regard to the circumstances existing, and therefore if it thought it its duty to inform the German Government that the Allied scheme provided a fair means of carrying out the provisions of the treaty it was its duty to do so. In the financial scheme of the Allied Governments there were a number of proposals which were not in contradiction of the treaty, but were outside it, and would require the formal consent of Germany for that reason; but they did not constitute a breach of the treaty.

MR. LLOYD GEORGE said that so long as the Reparation Commission did not add to the burdens under the treaty they could make conditions of payment.

6 Cf. No. 74, n. 39.

Count Sforza said that he felt some doubt whether, if the conference were to adopt the kind of procedure which had been suggested, certain inconveniences might not follow. The Allies might be sacrificing present benefits for a highly speculative return in the remote future. Moreover, might it not be possible for Germany to argue that she was entitled to the privileges and modifications which it was open to the Reparation Commission to accord to her under the terms of the treaty? In other words, Germany might hope for a drastic revision of the settlement in, say, ten years' time.

M. Theunis agreed that, as a matter of abstract justice, it seemed equitable that the Allies should be able to enforce their will upon Germany, in view of the fact that the new agreed scheme of reparation was more reasonable than that provided for in the treaty. But, like Sir John Bradbury, he had his scruples as to what the legal position would be vis-à-vis the actual terms of the treaty. He would like to ask M. Fromageot whether, assuming all the interested Governments were in agreement, it would not be possible to get out of the particular technical difficulty.

M. Fromageot said that as regards clause 22 of Annex 2 to Part VIII, his difficulty was in the interpretation of the opening words, 'Subject to the provisions of the present treaty.' What was the precise meaning of this expression? Could the word 'amended' be held to cover the substitution of an entirely new agreement? He was disposed to think that the document prepared by the Committee of Financial Experts was not an amendment within the meaning of clause 22 of Annex 2. A similar difficulty had arisen at the Paris Conference, and he had then advised that it would be safer not to construe this clause in the way suggested.

MR. LLOYD GEORGE referred to clause 12 (c) of Annex 2, and said that he would have thought that it was open to the Allies to modify clauses 12 and 16, which were the two clauses mainly affected, under the powers contained in clause 22. If this were done, the Allies would not be altering the treaty, but altering Annex 2.

(At this point the conference was informed that the reply of the Reparation Commission might be expected in half an hour's time.)

M. Fromageot remarked that the document drawn up by the Financial Committee of the Supreme Council contained not only provisions relative to the methods of payment, but also other provisions, such as those relative to the establishment of the Committee of Guarantees, which it would be difficult to establish by adopting the proposal of an amendment to the provisions of paragraphs 12 and 16. M. Fromageot suggested that perhaps the provisions of paragraph 12, which gives to the Reparation Commission 'very extensive powers of control and execution as regards the problem of reparations,' should allow that commission to set up the Committee of Guarantees.

M. LOUCHEUR said that he had a suggestion to make. Let a small committee meet to consider the point of the means for adapting the document to the treaty, and, if possible, extracting from the document the guarantees.

M. JASPAR said that if the proposal of M. Loucheur was accepted he was

afraid that the conference would be entering upon a very difficult path. He himself would much prefer to have said that the Allies proposed to apply the provisions of Annex 2 to Germany, such provisions having been amended so as to coincide with a financial agreement reached by the unanimous decision of the Allies.

- M. Fromageot remarked that before the meeting the experts had been doing their best to bring the text into conformity.
- M. LOUCHEUR pointed out that in any event it would be necessary to scrutinise the document again.

It was agreed—

That the following committee should meet at 8 p.m. at the Foreign Office to redraft the financial document in the form of a protocol for communication to Germany: Sir L. Worthington-Evans, M. Loucheur, M. Theunis, Signor d'Amelio and Mr. Kengo Mori, with M. Fromageot and Mr. Malkin present as drafting experts.

M. Briand asked whether it might not be possible to publish the terms of the document to be sent to Germany.

MR. LLOYD GEORGE thought that it would be very undesirable to publish anything until the document was in absolutely final form.

(The conference adjourned until 7.55 p.m., at which time they were informed that a reply had been received from the Reparation Commission stating that the commission was coming to London and would arrive at 11 a.m. on the following day.)

It was agreed-

That the meeting of the conference should be adjourned until 3 p.m. on the following day, Wednesday, the 4th May, 1921.

2, Whitehall Gardens, May 3, 1921.

Appendix 1 to No. 83

Draft Letter from the Allied Governments to Germany, submitted by M. Massigli

Les manquements répétés et constatés de l'Allemagne aux obligations résultant pour elle du Traité de Paix ont contraint les Puissances alliées à arrêter le 3 mai 1921 les décisions que j'ai l'honneur de vous communiquer ci-joint en leur nom (Annexe 1).⁷

Conformément au para. 6 (2) de ces décisions, les Gouvernements alliés ont fixé les garanties rendues nécessaires par les manquements de l'Allemagne à ces obligations de réparation. Ces garanties sont contenues dans le document ci-joint et particulièrement aux articles 6 et 7 (Annexe 2).7

En conséquence, les Puissances alliées attendent du Gouvernement allemand qu'il leur fasse connaître mai à heures au plus tard sa résolution sans condition ni réserve aucune de se conformer aux conditions énumérées au de la résolution du 3 mai.

7 Note in original: 'Not printed.'

Faute par le Gouvernement allemand de prendre cet engagement la vallée de la Ruhr sera immédiatement occupée par les troupes alliées et les Puissances prendront telles autres mesures et militaires et navales qui leur paraîtront convenables.

Appendix 2 to No. 83

(4th Revise. May 3, 1921, 8 p.m.)

Arrangement for the Discharge of Germany's Liability for Reparation under the Treaty of Versailles

(Without prejudice to restitution (article 238) and to other obligations under the treaty.)

- 1. Germany will perform in the manner laid down in this agreement her obligations to pay the total fixed, in accordance with articles 231, 232 and 233 of the Treaty of Versailles, by the Reparation Commission, viz., 132 milliards of gold marks, less the amount already paid on account of reparation, plus the amount of the Belgian debt to the Allies, these two amounts to be determined by the Reparation Commission, and the total being estimated, subject to such determination by the commission, at 135 milliards.
- 2. Germany shall create and deliver to the Reparation Commission in substitution for the bonds already delivered under paragraph 12 (c) of Annex 2 (Reparation) the bonds hereafter described.
- (a) Bonds for an amount of 12 milliard gold marks. These bonds shall be created and delivered at latest on the 1st July, 1921. There shall be an annual payment from funds to be provided by Germany as prescribed in this agreement in each year from the 1st May, 1921, equal in amount to 6 per cent. of the nominal value of the issued bonds, out of which there shall be paid interest at 5 per cent. per annum, payable half yearly on the bonds outstanding at any time, and the balance to sinking fund. These bonds are hereinafter referred to as bonds of Series (A).
- (b) Bonds for a further amount of 38 milliard gold marks. These bonds shall be created and delivered at the latest on the 1st November, 1921. There shall be an annual payment from funds to be provided by Germany as prescribed in this agreement in each year from the 1st November, 1921, equal in amount to 6 per cent. of the nominal value of the issued bonds, out of which there shall be paid interest at 5 per cent. per annum, payable half yearly on the bonds outstanding at any time, and the balance to sinking fund. These bonds are hereinafter referred to as bonds of Series (B).
- (c) Bonds for the remaining amount of the German debt, estimated at 85 milliards of gold marks, subject to determination by the Reparation Commission. These bonds shall be created and delivered to the Reparation Commission, without coupons attached, at latest on the 1st November, 1921; they shall be issued by the commission as and when it is satisfied that the payments which Germany undertakes to make in pursuance of this agreement are sufficient to provide for the payment of interest and sinking fund on such bonds. There shall be an annual payment from funds to be provided by Germany as prescribed in this agreement in each year from the date of issue by the Reparation Commission, equal in amount to 6 per cent. of the nominal value of the issued bonds, out of which shall be paid interest at 5 per cent. per annum, payable half yearly on the bonds outstanding at any time, and the balance to sinking fund. The Reparation Commission shall

attach coupons to such bonds as and when issued by the commission. These bonds are hereinafter referred to as bonds of Series (C).

3. The bonds provided for in article 2 shall be signed German Government bearer bonds, in such form and in such denominations as the Reparation Commission shall prescribe for the purpose of making them marketable, and shall be free of all German taxes and charges of every description, present or future.

Subject to the provisions of articles 248 and 251 of the Treaty of Versailles these bonds shall be secured on the whole of the assets and revenues of the German Empire and the German States, and in particular on the specific assets and revenues specified in article 7 of the agreement. The service of the bonds of Series (A), (B) and (C) shall be a first, second and third charge respectively on the said assets and revenues, and shall be met by the payments to be made by Germany under this agreement.

- 4. Germany agrees to pay in each year, until the redemption of the bonds provided for in article 2, by means of the sinking funds attached thereto:—
 - (1) A sum of 2 milliard gold marks.

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- (2)—(a) A sum equivalent to 25 per cent. of the value of her exports in each period of twelve months starting from the 1st May, 1921, as determined by the Reparation Commission, or (b) alternatively an equivalent amount as fixed in accordance with any other index proposed by Germany and accepted by the Reparation Commission.
- (3) A further sum equivalent to 1 per cent. of the value of her exports as above defined or alternatively an equivalent amount fixed as provided in (b) above.

Provided always that when Germany shall have discharged all her obligations under this agreement, other than her liability in respect of outstanding bonds, the amount to be paid in each year under this paragraph shall be reduced to the amount required in that year to meet the interest and sinking fund on the bonds then outstanding.⁸

Subject to the provisions of article 5 the payments to be made in respect of paragraph (1) above shall be made quarterly, before the end of each quarter (i.e., the 31st January, 30th April, 31st July and 31st October each year), and the payments in respect of paragraphs (2) and (3) above shall be made on the same dates and calculated on the basis of the exports in the six months preceding that quarter.

- 5. Germany will pay within fifteen days from the acceptance of this agreement 1 milliard gold marks in gold or approved foreign bills, or in drafts at three months on the German Treasury, endorsed by approved German banks and payable in London, Paris, New York or any other place designated by the Reparation Commission. These payments will be treated as the two first quarterly instalments of the payments provided for in compliance with article 4 (1).
- 6. The Reparation Commission shall, within fifteen days from the acceptance by Germany of this agreement, establish a special sub-commission to be called the Committee of Guarantees, consisting of representatives of the Allied Powers now represented on the Reparation Commission, including a representative of the United States of America in the event of that Government desiring to make the appointment.
- 8 Note in original: 'Proposed new wording:—"Nevertheless, when all the bonds referred in article 2 have been issued and the different payments above provided exceed the amount necessary to cover interest and sinking fund on the bonds in circulation, the said payments will be proportionately reduced each year."'

The committee shall be required to co-opt not more than three representatives of nationals of other Powers whenever it shall appear to the Reparation Commission that a sufficient portion of the bonds to be issued under this agreement is held by nationals of such Powers as to justify their representation on the Committee of Guarantees.

7. The Committee of Guarantees shall be charged with the duty of securing the application of articles 241 and 248 of the Treaty of Versailles.

It shall supervise the application to the service of the bonds issued under article 2 of the funds assigned thereto. The funds assigned thereto shall be:—

- (a) The proceeds of all German maritime and land customs and duties, and in particular the proceeds of all import and export duties.
- (b) The proceeds of the levy of 25 per cent. on the value of all exports from Germany, except those exports upon which a levy of not less than 25 per cent. is applied under the legislation referred to in article 9.
- (c) The proceeds of such direct or indirect taxes or any other funds as may be proposed by the German Government and accepted by the Committee of Guarantees in addition to or in substitution for the funds specified in (a) or (b) above for the purpose of providing the sums required for the service of the bonds.

The German Government shall pay quarterly, as provided above, all the funds assigned to the service of the bonds to accounts to be opened in the name of the committee and supervised by it, in gold or in foreign currency approved by the committee. The equivalent of the 25 per cent. levy referred to in paragraph (b) shall be paid in German currency by the German Government to the exporter.

The German Government shall notify to the Committee of Guarantees any proposed action which may tend to diminish the proceeds of any of the assigned funds, and shall, if the committee demand it, substitute some other approved funds for the service of the bonds.

The Committee of Guarantees shall be charged further with the duty of conducting, on behalf of the Reparation Commission, the examination provided for in paragraph 12 (b) of Annex 2 to Part VIII of the Treaty of Versailles, and of verifying, on behalf of the said commission, and if necessary of correcting, the amount declared by the German Government as the value of German exports for the purpose of the calculation of the sum payable in each year under article 4 (2), and the amounts of the funds assigned under this article to the service of the bonds. The committee shall be entitled to take such measures as it may deem necessary for the proper discharge of its duties.

The Committee of Guarantees shall not be authorised to interfere in German administration.

- 8. Germany shall, on demand, provide such material and labour as any of the Allied Powers may require towards the restoration of the devastated areas of that Power, or to enable any Allied Power to proceed with the restoration or development of its industrial or economic life, with the prior approval of the Reparation Commission. The value of such material and labour, and of any future deliveries in kind under the Treaty of Versailles shall be determined by a valuer appointed by Germany, and a valuer appointed by the Power concerned, and in default of agreement, by a referee nominated by the Reparation Commission.
- 9. Germany shall take every necessary measure of legislative and administrative action to facilitate the operation of The German Reparation (Recovery) Act, 1921,

in force in the United Kingdom, and of any similar legislation enacted by any Allied Power, as long as such legislation remains in force. Payments effected by the operation of such legislation shall be credited to Germany on account of the payment to be made by her under article 4 (2). The equivalent in German currency shall be paid by the German Government to the exporter.

- 10. Payment for all services rendered, all deliveries in kind, and all receipts under article 9 shall be made to the Reparation Commission by the Allied Power receiving the same in cash or current coupons within one month from the receipt thereof.
- 11. The sum payable under article 4 (3), and the surplus receipts by the Reparation Commission under article 4 (1) and (2) in each year, not required for the payment of interest and sinking fund on bonds outstanding in that year, shall be accumulated and applied so far as they will extend, at such times as the Reparation Commission may think fit, by the Reparation Commission in paying simple interest not exceeding $2\frac{1}{2}$ per cent. per annum from the 1st May, 1921, to the 1st May, 1926, and thereafter at a rate not exceeding 5 per cent. on the balance of the debt not covered by the bonds then issued.
- 12. The Allies agree to accept the execution by Germany of the stipulations of this agreement in complete discharge of her reparation obligations under the Treaty of Versailles referred to in article 1.
- 13. The present agreement does not modify the provisions securing the execution of the Treaty of Versailles, which are applicable to the stipulations of the present agreement.

May 3, 1921.

No. 84

I.C.P. 198] British Secretary's Notes of an Allied Conference, held at 10, Downing Street, S.W., on Wednesday, May 4, 1921, at 5 p.m.

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister (in the Chair); The Rt. Hon. the Earl Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; The Rt. Hon. Sir L. Worthington-Evans, Bt., M.P., Secretary of State for War; Political AND Financial experts, Lord D'Abernon, Sir B. Blackett, Mr. Vansittart, Mr. Kerr, Mr. Fass, Mr. Malkin; Secretaries, Sir M. Hankey, Mr. Wicks.

France: M. Briand, President of the Council; M. Loucheur, Minister for the Devastated [sic] Regions and Reparations; M. Berthelot, Secretary-General of the Foreign Office; POLITICAL AND FINANCIAL EXPERT, M. Fromageot; SECRETARIES, M. Massigli, M. Chastenet.

Belgium: M. Jaspar, Minister for Foreign Affairs; Colonel Theunis, Minister of Finance; SECRETARY, Viscount Davignon.

Italy: Count Sforza, Minister for Foreign Affairs; POLITICAL AND FINANCIAL EXPERTS, Signor Galli, Signor Giannini.

Japan: Baron Hayashi, Japanese Ambassador in London; secretary, Mr. Saito.

Interpreter: M. Camerlynck.

Reparation by Germany

MR. LLOYD GEORGE said that the Reparation Commission were still in session, and enquired whether it was posssible to say when they would be ready.

M. LOUCHEUR said that he had seen M. Dubois, and understood that they were making good progress. They were examining how to apply article 22 of Annex 2 to Part VIII, and hoped to reach a satisfactory solution. They admitted the principle of the 2 milliards and 25 per cent. levy. He did not think they could be ready so early as 6.30 that evening, and his personal opinion was that they would not report until 11 or 12 o'clock the next day.

Mr. Lloyd George asked whether the conference could proceed to settle the form of the letter to Germany, on the assumption that the Reparation Commission came to an agreement.

M. Berthelot pointed out that the question was whether the annex prepared by the financial experts should be joined to the resolution. Should the penalties be quoted in full, or simply refer to articles 6 and 7 containing them? Was there to be a covering letter addressed by the conference to the German Government, or a detailed letter setting out the reasons? In the case of the Paris offer, none of the reasons had been given. Once it was settled what the letter was to contain, drafting would present no difficulty.

MR. LLOYD GEORGE said that Lord Curzon's view, in which he concurred, was that it would be a simple matter to prepare a letter so soon as the position was clear.

M. BRIAND concurred.

MR. LLOYD GEORGE asked whether there was any news from Berlin. By this time the general lines of the Allies' demand must have been made known in the German press, as details had been fully published in the press of the Allied countries.²

M. Briand said that he believed there was a strong tendency for the Germans to accept much more than they had hitherto been inclined to accept.

LORD CURZON read extracts from two telegrams the British Government had received from the Chargé d'Affaires at Berlin, despatched on the morning and evening of the previous day,³ to the effect that the Wilhelmstrasse had stated that the new decisions of the Allies as reported were much nearer to the terms of the treaty than the Paris decisions, and that Dr. Simons had said that the Germans would be prepared to abide by the treaty. The second telegram stated that the Minister of Finance was in favour of accepting the Allies' terms without conditions.

M. Jaspar read a telegram which he had received, to the effect that the German Foreign Minister had said that new proposals, based on the Paris resolutions, would very probably be made by his successor.

COUNT SFORZA said that in a conversation he had had with the German

- ¹ President of the Reparation Commission.
- ² See, e.g. The Times, May 4, p. 10.
- 3 i.e. Berlin telegrams Nos. 190 (despatched May 3, 11.10 a.m., received May 4, 9.15 a.m.) and 191 (despatched May 3, 11.10 p.m., received May 4, 9.20 a.m.).

Ambassador on a private matter, at the latter's request, that morning, the German Ambassador had alluded to the situation, and seemed to think that the Germans would accept the Allies' terms, and already had some knowledge of the guarantees.

MR. LLOYD GEORGE said that as the guarantees had been referred to in the English press, it was most likely the Germans were more or less informed.

M. Jaspar then stated that he had that moment received a telegram from Berlin stating that the German Minister for Foreign Affairs had called at the French and Italian Embassies and enquired whether there was still time to make new proposals, though a certain time would be necessary to draft them. The Ambassadors had stated that they were not informed of the situation in London, and therefore could not answer. There appeared to be no question of the Foreign Minister resigning for the moment.

MR. LLOYD GEORGE stated that M. Theunis had a point arising out of the financial agreement and bearing on the Spa arrangement which the experts could meet and discuss. In the meantime, the conference would adjourn until 9.30 that evening unless intimation were received in the meantime that the Reparation Commission had a communication to make. He suggested that it might facilitate the proceedings of the Reparation Commission if they were informed that each of the Powers had had news which seemed to show that the Germans would accept the proposals.

M. JASPAR undertook to see M. Delacroix on the matter.

- 2, Whitehall Gardens, May 4, 1921.
- 4 A similar query had been put to H.M. Chargé d'Affaires during his interview with Dr. Simons reported in Berlin telegram No. 190 (see n. 3 above). Lord Kilmarnock had replied that his personal opinion was that any offer which showed real intention on the part of the German Government to carry out their obligations would be useful.

No. 85

I.C.P. 199] British Secretary's Notes of an Allied Conference, held at 10, Downing Street, S.W., on Wednesday, May 4, 1921, at 9.30 p.m.

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister (in the Chair); The Rt. Hon. the Earl Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; The Rt. Hon. Sir L. Worthington-Evans, Bt., M.P., Secretary of State for War; Political AND FINANCIAL EXPERTS, Lord D'Abernon, Mr. Vansittart, Mr. Kerr, Mr. Fass, Mr. Malkin; SECRETARIES, Sir M. Hankey, Mr. Wicks.

France: M. Briand, President of the Council; M. Loucheur, Minister for the Devastated [sic] Regions and Reparations; M. Berthelot, Secretary-General of the Foreign Office; POLITICAL AND FINANCIAL EXPERTS, M. Fromageot, M. Tannery, M. Petsche; SECRETARIES, M. Massigli, M. Chastenet.

Belgium: M. Jaspar, Minister for Foreign Affairs; Colonel Theunis, Minister of Finance; POLITICAL AND FINANCIAL EXPERT, M. Bemelmans; SECRETARIES, Viscount Davignon, Viscount Terlinden.

Italy: Count Sforza, Minister for Foreign Affairs; Marquis della Torretta; POLITICAL AND FINANCIAL EXPERTS, Signor Galli, Signor Giannini.

Japan: Baron Hayashi, Japanese Ambassador in London; Mr. Nagai, Mr. Kengo Mori; secretary, Mr. Saito.

INTERPRETER: M. Camerlynck.

M. LOUCHEUR stated that the Reparation Commission had been in session ever since their arrival in London, and had been studying the scheme of procedure relating to the documents submitted by the assistant delegates and by the financial experts.¹

The commission had decided to adopt a few minor verbal modifications of the text of the financial scheme,² and two of their representatives would meet two experts from the Supreme Council to confer on those drafting alterations, all of which were not important and involved no change of substance. Before they were able to adopt the scheme, the Reparation Commission must ask each Power represented on the commission to sign a protocol which, in accordance with the provisions of paragraph 22 of Annex 2 to Part VIII, should modify the annex so as to allow the Reparation Commission to adopt the proposals without departing from the treaty itself. The question had been raised whether Jugoslavia should sign, but it had been decided that it was unnecessary.

M. Loucheur then read the text of the protocol (Appendix 1 to these minutes),³ and explained that the only purpose in drawing up the protocol had been to put in operation article 22 of Annex 2 and thereby to adapt the provisions of Annex 2 to fit the text of the financial scheme. (Article 22 reads: 'subject to the provision of the present treaty, this annex may be amended by a unanimous decision of the Governments represented from time to time upon the commission.') On receipt of the protocol the Reparation Commission would make their formal decision and notify the Powers. The procedure to be fixed by the Reparation Commission was important. The commission would leave for Paris at 11 a.m. the following morning, and a telephone message would be sent to the German representative in Paris to attend at 10 p.m. before the Reparation Commission when the notification would be made in a formal manner. It would consist of:—

- 1. A letter.
- 2. The documents setting out the method of payment.
- 3. The protocol from the Supreme Council making the modification to Annex 2.
- ¹ See Nos. 83, penultimate paragraph and 84, p. 570.
- ² i.e. No. 83, Appendix 2.
- 3 Not here printed. The final text of this protocol is printed in B.F.S.P., vol. 114, pp. 559-61.

By the terms of the covering letter it was desired to achieve finality in respect of article 234. By article 234 the Reparation Commission was empowered from time to time to consider the resources and capacity of Germany and to extend the date and modify the form of payment. It was necessary to define the position once and for all in respect of the arrangements now agreed on.

The Reparation Commission had agreed to the following statement in the covering letter:—

'We have fixed an index in order automatically to adapt the payment by Germany to her capacity, and this measure has been taken by us with the object of avoiding recourse to the procedure indicated by article 234.'

Such were the conditions necessary to regularise the proceedings. They must take all possible precautions to ensure due legality, and for that reason it was necessary to adopt the formal procedure he had indicated.

MR. LLOYD GEORGE said he understood that the whole document would be delivered to the Reparation Commission that evening with some modifications of which he had not yet heard, together with a notification that article 22 had been made use of. There would also be a notification, of which he did not see the point, that the arrangement was final, and that article 234 was practically abrogated by the fixing of an index number. He enquired whether that might not prove controversial.

M. LOUCHEUR said he did not think so.

MR. LLOYD GEORGE said that it was tantamount to saying that article 234 was obliterated, and that it would not be possible for Germany at any future time to come before the Reparation Commission and make out a case for alleviation. The Allies had found the Reparation Commission very useful in the past, and he thought it would be a great mistake to cut out article 234.

M. LOUCHEUR said that personally he thought they ought to cut out article 234 because it was incompatible with the basis of the new financial scheme, but Sir John Bradbury was very much opposed to cutting it out, and had found means of avoiding such a course by the use of the words 'in order to avoid having recourse to it.' The article would, therefore, remain in force.

COUNT SFORZA enquired whether the Governments would in future have the right to use the article.

Mr. LLOYD GEORGE said that the Allies had a right to modify Annex 2, but they had no right to modify the treaty. It was impossible to say what would happen in twenty years' time, when the Allied Governments might be glad of the opportunity of closing the chapter, and would desire, rather than formally do it themselves, to make use of the Reparation Commission for the purpose.

He did not wish to close the door against the possibility, and M. Loucheur's proposal appeared to introduce a new and unnecessary element. The Reparation Commission would never act against the wishes of the Government in such a matter.

M. LOUCHEUR said that he did not understand Mr. Lloyd George's view.

The use of article 234 was not consistent with the elements of the new financial scheme. It would be impossible to issue bonds so long as there were a risk of article 234 being put into force. When the Paris agreement had been decided upon, for example, it had been regarded as final: to do otherwise would be to leave the sword of Damocles suspended over the heads of the bondholders. They were not closing the door; they were only asking that it should not be opened every morning.

Mr. Lloyd George said it involved an alteration of the treaty which was sprung upon the conference at the last moment; and if it was thought so essential he did not understand why it had only just been thought of.

M. LOUCHEUR said that the reason it had only just arisen was that the original intention had been for the new scheme to be communicated to the Germans by the Allied Governments, and in that case it would have been accepted in place of the treaty, so that the question of article 234 would not arise; as the scheme was now being sent by the Reparation Commission the scheme would be a scheme under the treaty, and article 234 would apply. Article 234 was inconsistent with the Paris agreement in respect of which the former procedure had been adopted. Sir John Bradbury agreed with the proposal, and was of opinion that it left the door open to the use of article 234 should the Allies desire it at any time.

MR. LLOYD GEORGE said that it was only the night before that he had made the proposal that the Reparation Commission should come over. If they had not come the scheme would have been sent without this new provision. He assumed that it was something that had arisen that night after a conversation with the commission at the Carlton Hotel, and he would be no party to it. It involved tearing up the treaty.

The previous evening the French Government had insisted at the last moment on inserting at the beginning of the 'arrangement' the words 'irrespective of the restitutions which she is to make under article 238 of the Treaty of Versailles and of any other obligations under the treaty, Germany,' &c., and he would not agree to this further alteration now proposed, and must consult his colleagues.

COUNT SFORZA said that he had the day before raised the objection that the procedure proposed might be in conflict with article 234, and M. Loucheur now admitted that article 234 would create difficulty in respect of the bonds to be issued. He suggested that the article might remain unaltered, but that it should be agreed not to use it against the bonds.

M. LOUCHEUR said that the decision of the Reparation Commission was quite definite that the 132 milliards was additional to the claims under article 238. If Mr. Lloyd George objected to the proposal relating to article 234, it would be easy to omit it or to say 'with the object of avoiding recourse as far as possible to the procedure indicated by article 234.' He had felt it his duty to point out the danger arising out of the existence of the article, and it had been purely [? as] a point of loyalty to the other members of the council that he had done so.

MR. LLOYD GEORGE said that he did not see the necessity for the provision.

The Paris demands were passed by the council in the same way, and there had been no suggestion of article 234. The proposal had only been raised at the last moment, and he hoped the point would not be reopened. There must be no question of loading the dice against Germany. The Allies had the treaty and proposed to carry it out. Let them not alter it to the detriment of Germany.

M. Bemelmans observed that the formula had been drafted by Sir John Bradbury and himself that afternoon.

2. Interest on Unfunded Debt

SIR L. WORTHINGTON-EVANS asked whether it was quite understood that there was no interest payable on the debt not covered by bonds except that which was payable out of the surplus receipts and out of the 1 per cent. He had been told that the French text did not make it clear, and Lord D'Abernon thought that the English text also was obscure on the point. He suggested that the words should be added, 'and no interest shall be payable otherwise.'

M. LOUCHEUR said that he would agree to the substance, but would like to see the text.

3. Procedure

MR. LLOYD GEORGE said that he understood that the procedure would be that the Reparation Commission at 10 p.m. on the following day would deliver the financial scheme to the Germans, and, in addition, a paper providing that Annex 2 was amended in such a form as to enable the Reparation Commission to agree to the document, and that was all as he understood it.

M. LOUCHEUR said that was so, provided that the Governments had signed and handed in the protocol which he had read.

MR. LLOYD GEORGE directed that the protocol should be copied at once in order that it might be signed that night. He understood M. Loucheur to say that there were certain alterations to be made, and enquired what they were.

M. LOUCHEUR said he did not know, but the Reparation Commission would agree them with the experts. He understood that they were merely either verbal corrections or for the purpose of making the text clear. For example, the Reparation Commission had pointed out that, after deducting property with which the Germans had been credited, the total sum would be 131 milliards, and not 132 or 135.

Mr. Lloyd George said that three or four members of the council should meet the representatives of the Reparation Commission on the point, and that in the meantime the Allied Council should discuss what the Governments were to send to Germany.

Notification to be made to Germany

LORD CURZON pointed out that while the Reparation Commission were proceeding to Paris a day would elapse, and it was necessary to know what was to be done in the interval with the statement which the Allies had drawn up representing their ultimatum to Germany. At what time was that to be handed in? Through the German Ambassador in London, or through the Allied Ambassadors in Berlin? And if it was not to be done till the following evening, was it to be communicated to the press in advance?

M. JASPAR said that it should be notified to the German Ambassador in London by the president of the Supreme Council on behalf of the council.

That would be the quickest.

It was clear from paragraph (b) of the document that it was being handed to the Germans before the Reparation Commission had acted, and that the Reparation Commission had to take a formal decision.

M. LOUCHEUR pointed out that the Reparation Commission had agreed to include the guarantees in their communication, which was very satisfactory.

It was agreed—

That Mr. Lloyd George, in his capacity as president of the conference, should notify the German Ambassador in London, for transmission to his Government, the decision on the application of the sanctions adopted by the Allied Governments.

4. Allied Note to Germany: 4 Textual Corrections

Mr. Lloyd George pointed out that there was an alteration to paragraph (c) (2) of the Allies' communication to Germany. The words 'demanded by the Allied Governments' should read 'prescribed by the Reparation Commission.'

M. LOUCHEUR concurred on behalf of the French Government.

LORD CURZON said that it was desirable to leave out the word 'treaty' before the word 'obligations' in paragraph (c) (1) of the Allied note, otherwise it might be open to the Germans to say that the obligations sought to be imposed were quite outside the treaty.

M. Fromageot agreed to the omission.

The conference concurred in the alterations indicated above.

The text of the Allied note, as thus agreed to, is reproduced as Appendix 2 to these minutes.

Financial Arrangements

MR. LLOYD GEORGE stated that, in order to make it quite clear that interest on the unfunded debt was confined to the surplus receipts and the 1 per cent. levy, the following words should be added to paragraph 11 of the financial claim:5

'With the exception of the said sums and surplus receipts, no interest shall be payable on the balance of the debt not covered by the bonds then issued.'

M. LOUCHEUR agreed, adding that it had taken three hours to induce the Reparation Commission to agree to this the [sii] proposal:—

4 See No. 79, Appendix, and No. 80. 5 See No. 83, Appendix 2, p. 569.

The council requested the following members to meet representatives of the Reparation Commission on their behalf, in order to agree upon the final verbal corrections to be made to the Allied protocol, by which the Reparation Commission were requested to modify Annex 2 of Part VIII of the Treaty of Versailles:—

M. Theunis, M. Loucheur, Sir L. Worthington-Evans and Mr. Kengo Mori.

5. Press Notice

MR. LLOYD GEORGE said that he thought it would be too late for the heads of Governments to sign the final documents that night, and suggested that the document should not be communicated to the press. It would be too late, except for the very late editions of the newspapers in London, Paris and Brussels. If the documents were received by the newspapers at the last moment, they would not be properly digested, with the result that wild and inaccurate comments would appear in the papers on the following morning.

6. Signature of Allied Note

M. BRIAND suggested that the Allied note to Germany might be signed.

MR. LLOYD GEORGE asked whether there was to be a covering letter to the Allied note.

M. Berthelot said that if it were handed to the German Ambassador a covering note was not necessary.

M. Briand said that as the Reparation Commission were forwarding the modalities and had agreed to communicate the guarantees there was no need for a letter; the document would simply be handed to the German Ambassador.

Article 234

M. Briand reminded Mr. Lloyd George of the discussion which the two Prime Ministers had had before dinner on the subject of article 234.6 Perhaps Mr. Lloyd George had failed to appreciate M. Loucheur's meaning. The latter had only wished to say that the advantage of the financial scheme adopted by the Supreme Council and the Reparation Commission was that it allowed the mobilisation of the claims which the Allies had on Germany and the placing in the hands of third parties of the securities contemplated in the scheme. But these securities carry interest, and it is clearly impossible to contemplate that the regular payment of this interest could be ultimately brought into question by use being made of article 234. This would not be just to the holders of the bonds. He (M. Briand) was not asking for the abrogation of article 234; but it must be understood by the Allied Governments that when the new scheme was in process of execution, it would not be possible to modify the amount of the contemplated annuities without the

⁶ No record of this discussion has been traced. For M. Loucheur's views on Art. 234, see pp. 573-4 above.

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unanimous agreement of those Governments. This clear understanding would do much to facilitate the placing of the bonds on the market.

Mr. Lloyd George said that if bonds passed into the hands of third parties, of course it would be impossible to put article 234 in operation against them, but there might be bonds remaining in the hands of the Government themselves, and it would be too much to say that, in those circumstances, the conditions attaching to the bonds should not be altered for satisfactory reasons. It would be a very great mistake to interfere with the full operation of article 234 in case of need.

M. Briand said that it was then clearly understood that if the securities were placed on the market there would then be an obstacle which would set [? to setting] in motion the provisions of article 234. Article 234 could not be invoked by the holders of the bonds. He (M. Briand) did not press for the version which had been proposed by M. Loucheur, but he asked that the point which had been indicated should be carefully considered.

Mr. Lloyd George declared himself in agreement.

M. Briand repeated that inasmuch as the Allied Governments would have all the securities in their hands by invoking article 234, it seemed that it would be possible for them to make an agreement with Germany of a more advantageous character than that which was about to be concluded. It would be lawful to make such an agreement. If, on the contrary, the securities had been put on the market, it would no longer be possible to invoke the provisions of article 234—that was a matter of fair dealing as regards the ultimate holders of the bonds.

Mr. Lloyd George thought that it would turn out later that Germany would be the principal purchaser of the securities in question. She would purchase them on the market at a convenient discount.

M. Briand accepted this suggestion, but he felt bound to explain the text suggested by M. Loucheur. In the scheme which had been adopted the invariable annuity of 25 per cent. properly occupied the position which was taken in the treaty by the provisions of article 234. He (M. Briand) recognised, however, that it would be in the interest of the Allies to maintain the possibility of utilising the machinery of article 234 in view of the possibility of new arrangements with Germany.

Mr. Lloyd George and the other members of the conference declared themselves in agreement.

It was agreed—

That in cases where bonds remitted by Germany to the Reparation Commission in virtue of the financial arrangement shall come to be transferred in whole or in part to holders other than the Allied Governments the provisions of article 234 of the treaty, which is designed to meet the eventuality of an extension of the period and a modification of the conditions of payment of the German debt, shall be applicable only to the bonds for the time being remaining in the hands of the Reparation Commission.

M. Briand said that, according to a Havas telegram to London, the German Cabinet had resigned.

7. Upper Silesia

MR. LLOYD GEORGE enquired what was to be done about Upper Silesia. M. BRIAND said that the question was not ready.

MR. LLOYD GEORGE suggested that the matter was ripe for discussion.

M. BRIAND dissented.

M. Berthelot pointed out that the three High Commissioners were not agreed, and in their telegram had said that if they were given a few days more they would probably be able to come to a decision, though no doubt the insurrection would cause delay.⁸ It would be impossible for the council to discuss three separate reports.

COUNT SFORZA said that the Italian delegate hoped to be able shortly to secure agreement between the French and British High Commissioners and send something more satisfactory than the divergent reports which had been received.9

M. Berthelot said that his last telegram indicated that the violence of the insurrection was subsiding and the international troops had the upper hand.

8. Signature of the Allied Note to Germany

The heads of delegations then signed the English text of the Allied note to Germany, the French text not being ready.

The signatures were deferred till the following day.

(The conference adjourned till 9.45 a.m. on the 6th May, 1921.)

2, Whitehall Gardens, May 4, 1921.

- ⁷ This information was confirmed in an unnumbered Berlin telegram of May 5, received in the Foreign Office at 5.50 p.m. on May 5, which read: 'Whole German Cabinet resigned last night. President has requested them to carry on administration pending formation of new Government.'
 - An insurrection had broken out in Upper Silesia on the night of May 2-3.
 - 9 See No. 81, n. 8.

APPENDIX 2 TO No. 85

Allied Note to the German Government10

The Allied Powers, taking note of the fact that, in spite of the successive concessions made by the Allies since the signature of the Treaty of Versailles, and in spite of the warnings and sanctions agreed upon at Spa and at Paris, as well as of the sanctions announced in London and since applied, the German Government is still in default in the fulfilment of the obligations incumbent upon it under the terms of the Treaty of Versailles as regards (1) disarmament; (2) the payment due on the 1st May, 1921, under article 235 of the treaty, which the Reparation

10 This note was printed in The Times, May 6, p. 9.

Commission has already called upon it to make at this date; (3) the trial of the war criminals, as further provided for by the Allied notes of the 13th February and the 7th May, 1920; and (4) certain other important respects, notably those which arise under articles 264 to 267, 269, 273, 321, 322 and 327 of the treaty, decide—

- (a) To proceed forthwith with such preliminary measures as may be required for the occupation of the Ruhr Valley by the Allied forces on the Rhine in the contingency provided for in paragraph (d) of this note.
- (b) In accordance with article 233 of the treaty, to invite the Reparation Commission to prescribe to the German Government without delay the time and manner for securing and discharging the entire obligation incumbent upon that Government, and to announce their decision on this point to the German Government at latest on the 6th May.
- (c) To call upon the German Government categorically to declare within a period of six days from the receipt of the above decision its resolve (1) to carry out without reserve or condition their obligations as defined by the Reparation Commission; (2) to accept without reserve or condition the guarantees in respect of those obligations prescribed by the Reparation Commission; (3) to carry out without reserve or delay the measures of military, naval and aerial disarmament notified to the German Government by the Allied Powers in their note of the 29th January, 1921, those overdue being completed at once, and the remainder by the prescribed dates; (4) to carry out without reserve or delay the trial of the war criminals and the other unfulfilled portions of the treaty referred to in the first paragraph of this note.
- (d) Failing fulfilment by the German Government of the above conditions by the 12th May, to proceed to the occupation of the Valley of the Ruhr and to take all other military and naval measures that may be required. Such occupation will continue so long as Germany fails to comply with the conditions summarised in paragraph (c).

(Signed)

HENRI JASPAR
A. BRIAND
D. LLOYD GEORGE
C. SFORZA
HAYASHI

London, May 5, 1921.

No. 86

I.C.P. 200] British Secretary's Notes of an Allied Conference held at 10, Downing Street, S.W., on Thursday, May 5, 1921, at 9.45 a.m.

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister (in the Chair); The Rt. Hon. the Earl Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; The Rt. Hon. Sir L. Worthington-Evans, Bt., M.P., Secretary of State for War; POLITICAL AND FINANCIAL EXPERTS, Lord D'Abernon, Mr. Fass, Mr. Malkin; SECRETARIES, Sir M. Hankey, Mr. Wicks.

France: M. Briand, President of the Council; M. Loucheur, Minister for the Devastated [sic] Regions and Reparations; M. Berthelot,

Secretary-General of the Foreign Office; POLITICAL AND FINANCIAL EXPERTS, M. Fromageot, M. Tannery, M. Petsche; SECRETARIES, M. Massigli, M. Chastenet.

Belgium: M. Jaspar, Minister for Foreign Affairs; Colonel Theunis, Minister of Finance; Political and Financial expert, M. Bemelmans; Secretaries, Viscount Davignon, Viscount Terlinden.

Italy: Count Sforza, Minister for Foreign Affairs; Marquis della Tor-[r]etta; POLITICAL AND FINANCIAL EXPERTS, Signor Galli, Signor Giannini.

Japan: Baron Hayashi, Japanese Ambassador in London; Mr. Kengo Mori; secretary, Mr. Saito.

INTERPRETER: M. Camerlynck.

The conference assembled at 9.45 a.m. for the purpose of signing the French text of the Allied note to Germany¹ and the protocol addressed to the Reparation Commission.²

1. Belgian Priority

M. Theunis said that according to the final plan, while the delivery of the 1 milliard gold marks was to be in cash, the future deliveries destined for the service of the obligations were to be, not in cash, but by means of coupons. The Spa arrangement had reserved Belgian priorities, and articles 4 and 5 of the Spa Agreement³ were rather difficult to adjust to the new plan. It was, therefore, necessary to have a new international agreement; and also to make arrangements between the Allies for selling the bonds. So long as Germany had not accepted the arrangement there was no very great urgency, but it seemed indispensable to conclude the matter, in order to avoid misunderstanding.

The Belgian delegation wished (so that there might be no future misunderstanding) the conference to decide 'that the new methods of payment should be as favourable to the Belgian priorities as the previous arrangements.'

MR. LLOYD GEORGE said that he thought the experts should discuss the matter, and suggested that M. Loucheur and Signor Giannini should not leave London, and that they should meet M. Theunis, Sir L. Worthington-Evans and Mr. Kengo Mori as soon as possible and discuss the matter.

The conference agreed to this suggestion.

MR. LLOYD GEORGE enquired whether there was any news from Berlin. Count Sforza said that the German Embassy had stated that the Germans were accepting.

2. Procedure

M. Briand said what would be the procedure for conveying the protocol to the Reparation Commission? The conference agreed to authorise M.

- ¹ For the English text and its signature, see No. 85, Appendix 2 and minute 8.
- ² See No. 85, minute 1 and n. 3.
- 3 For the Spa Agreement, see Cmd. 1615 of 1922.

Loucheur to hand the protocol to M. Dubois, the president of the commission, on their behalf.

3. Press Notice

MR. LLOYD GEORGE asked what press arrangements had been made.

M. Berthelot suggested that the Allied note should be handed to the evening papers the same day, and the financial scheme to the papers for the following morning.

MR. LLOYD GEORGE said that he would have to make his announcement in the House of Commons at 4 o'clock, which would be too late for the evening papers.4

4. Communication to United States

M. Berthelot reminded the council that it had been arranged to inform the United States of America of the decisions at the end of the conference.

LORD CURZON said that that would be done that day.

MR. LLOYD GEORGE said that each Government should make a communication to its own representatives in America.

[5.] M. Briand expressed his thanks on behalf of the conference for the cordial hospitality extended to them in London. They felt to how great an extent Mr. Lloyd George's authority had permitted them to reach a definite conclusion. At a certain moment an issue had seemed doubtful and unfavourable to the French point of view, but the Allies had gradually come nearer together and they were finally able to reach complete agreement.

The French representatives desired to thank their Belgian friends for the spirit of conciliation and of ingenuity that they had displayed in the solution of a most difficult problem. He also desired to thank their Italian friends for their good services and spirit of amity, and he wished at the same time to express his thanks to their Japanese friends for the assistance they had rendered. Their patience and skill have gradually brought the ship safely to harbour and this showed that were the Allies animated by the same spirit of unity and good intention whatever the difficulties they would always be able to conquer them. They left the conference with a strengthened position and serene confidence. Unfortunately they were obliged to resort to the compulsion of Germany, but he was convinced that in the face of this unanimity of the Allies Germany would be convinced of the necessity of complying.

MR. LLOYD GEORGE said that he was much obliged to M. Briand for his kind words. Their decisions had been reached in the midst of difficulties, internal and external. They had had difficult moments it was true, but they had all had experienced navigators to assist them, and somehow or other they had brought the ship to port, and he could not help thinking they were going to land the cargo at last. He had always taken that view in spite of what many people had said to the contrary. They had to congratulate themselves that they had succeeded in spite of so many difficulties, that seemed at first to be insurmountable, difficulties that were due to differences in public

⁴ For Mr. Lloyd George's statement see 141 H.C. Deb., 5 s., cols. 1275-92.

opinion engendered by the difference in the physical barriers between their respective countries and Germany. They had agreed together, and marching together he hoped in the end they would be able to bring about the regeneration of Europe.

That task would require much patience and would involve many disappointments, but acting together he felt sure they would succeed.

The following documents were signed:—

A protocol to be handed by M. Loucheur on behalf of the conference to the chairman of the Reparation Commission, amending Annex 2 to Part VIII of the Treaty of Versailles as provided for in article 22 of the existing Annex 2. French text and English text (for English text see Appendix 1).5

The Schedule of Payments prescribing the time and manner for securing and discharging the entire obligation of Germany for reparation under articles 231, 232 and 233 of the Treaty of Versailles (see Appendix 2).6 Initialled in English text only.

- ⁵ Not here printed. The English text is printed in B.F.S.P., vol. 114, pp. 559-61.
- ⁶ Not printed. This Schedule was a revise of No. 83, Appendix 2. It embodied a few minor drafting amendments and the following more substantial changes:
 - a preamble read: 'The Reparation Commission has in accordance with article 233 of the Treaty of Versailles, fixed the time and manner for securing and discharging the entire obligation of Germany for reparation under articles 231, 232 and 233 of the treaty as follows:—

This determination is without prejudice to the duty of Germany to make restitution under article 238 or to other obligations under the treaty.'

- para. I read: 'Germany will perform in the manner laid down in this schedule her obligations to pay the total fixed in accordance with articles 231, 232 and 233 of the Treaty of Versailles by the commission, viz., 132 milliards of gold marks less (a) the amount already paid on account of reparation, (b) sums which may from time to time be credited to Germany in respect of State properties in ceded territory, etc. and (c) any sums received from other enemy or ex-enemy Powers in respect of which the commission may decide that credits should be given to Germany, plus the amount of the Belgian debt to the Allies, the amounts of these deductions and additions to be determined later by the commission.'
- para. 2 (line 2): the words 'or deliverable' followed 'the bonds already delivered'.
- para. 2 (a), (b) and (c): The phrase 'for the redemption of the bonds by annual drawings at par' followed the phrase 'the balance to sinking fund' in the penultimate sentence of (a) and (b) and the relevant sentence near the end of (c).
- para. 2 (c): the first sentence read: 'Bonds for 82 milliard gold marks, subject to such subsequent adjustment by creation or cancellation of bonds as may be required under paragraph 1.'
- para. 4: (i) the first sentence began: 'Germany shall pay . . .'
 - (ii) the 'proposed new wording' in n. 8 was not reproduced.
 - (iii) the last sub-para. read: 'Subject to the provisions of article 5 the payments to be made in respect of paragraph (i) above shall be made quarterly before the end of each quarter (i.e. before the 15th January, the 15th April, the 15th July and the 15th October each year), and the payments in respect of paragraphs (2) and (3) above shall be made quarterly, the 15th November, the 15th February, the 15th May and the 15th August, and calculated on the

Ultimatum to German Government. French text, the English text having been signed the previous evening.⁷

2, Whitehall Gardens, May 5th, 1921.

basis of the exports in the last quarter but one preceding that quarter, the first payment to be made the 15th November, 1921.'

para. 5 read: 'Germany will pay within twenty-five days from this notification . .'

para. 6 read: The commission will within twenty-five days from this notification, in accordance with paragraph 12(d), Annex 2 of the treaty as amended, establish . . .

para. 8: An additional sentence read: 'This provision as to valuation does not apply to deliveries under Annexes III, IV, V and VI to Part VIII of the treaty.'

para. 10: The following words were added after 'thereof':—'and shall be credited to Germany on account of the payments to be made by her under article 4.'

para. 11: The following sentence was added at the end of the paragraph: 'No interest thereon shall be payable otherwise.'

para. 12: This paragraph was not reproduced.

para. 13: renumbered as para. 12.

date: May 5 was substituted for May 3.

⁷ See No. 85, minutes 4 and 8 and Appendix 2.

No. 87

I.C.P. 200A] Notes of an Interview between the Prime Minister and the German Ambassador on Thursday, May 5, 1921, at 11 a.m.

THE PRIME MINISTER said that, as president of the Allied Conference, which has been sitting in London for some days, it was his duty to hand to Herr Sthamer the decision which had been reached. The Prime Minister then handed, in original, in English and French, the signed copies of the document attached in Appendix 1.1

The Prime Minister then read the document to the German Ambassador. Continuing, the Prime Minister said that this evening, at about 10 p.m., in Paris, he understood the Reparation Commission would hand over to the German representative a schedule of payments prescribing the time and manner of securing and discharging the entire obligation of Germany for reparation under articles 231, 232 and 233 of the Treaty of Versailles. If, however, it was a convenience to the German Government, he himself was willing to communicate a copy of this schedule of payments unofficially.

(Mr. Lloyd George then handed to Herr Sthamer the Schedule of Payments, attached in Appendix 2.)²

The Prime Minister, in handing this document, laid stress on the fact that this was not an official communication, and he could not absolutely guarantee that it was identical in every respect with the document which would be presented the same evening in Paris by the Reparation Commission. It was the copy presented by the Reparation Commission that alone must

1 Not printed. The English text was the same as No. 85, Appendix 2.

Not printed. This Appendix was the same as No. 86, Appendix 2; see No. 86, n. 5.

be quoted as the official document.³ At the same time, he had no objection to Herr Sthamer telegraphing it to the German Government with an explanation that it was not official.

The Prime Minister then explained that another document had been prepared making an alteration in Part VIII, Annex 2, of the Treaty of Versailles. The terms contained in the Schedule of Payments were lighter than the terms of the Treaty of Versailles, and the Reparation Commission had stated that they could not adopt this lighter schedule of payments without an alteration in the Annex. Consequently, Annex 2 had been amended as provided for in article 22 of the existing Annex 2 to Part VIII.

(Mr. Lloyd George then handed to Herr Sthamer a copy of the protocol amending Annex 2 (Appendix 3)4.)

In handing this document, Mr. Lloyd George again laid stress on the fact that it was not an official copy, but was only handed to him as a matter of courtesy.

The Prime Minister, having completed this official explanation, and handed the documents referred to, went on to state that he sincerely trusted that the German Government would see their way to accept these demands. He pointed out that no naval measures of coercion were to be applied in the first instance, because it was hoped that the German Government would see its way to accept. The terms he had handed were, in fact, the best terms that had been proposed yet to Germany, and were the best that could be proposed, having regard to the difficult situation of France in respect of devastated regions. The conference of the Allies was most anxious not to have to impose the naval measures, which would unavoidably inflict great hardship on the German people, and involved perhaps some of the cruellest measures of coercion that could be applied. He therefore sincerely hoped that the German Government would see their way to accept. The Allied Conference had not overlooked the difficult situation of Germany, but had to bear in mind continually the great difficulties of France. He asked if Herr Sthamer had any views of the reported resignation of the German Government.5

HERR STHAMER said he had no information to this effect, but had received despatches this very morning under Dr. Simons's signature, and had received no news of the resignation of the Cabinet. His despatches transmitted grave reports of the rebellion in Upper Silesia,6 which he had transmitted to the Foreign Office.

MR. LLOYD GEORGE said that the British news was to the effect that the Allied forces had the situation in hand.

HERR STHAMER said that his information, received only half an hour ago,

³ For the text presented by the Reparation Commission, see Reparation Commission: Official Documents relative to the amount of payments to be effected by Germany under Reparations Account, vol. i (May 1, 1921-July 1, 1922), pp. 4-9.

⁴ Not printed. This Appendix was the same as No. 85, Appendix 1; see No. 85, n. 3.

⁵ See No. 85, n. 7.

⁶ See No. 85, n. 8.

did not bear this out. He then asked from what date the period of six days, given to the German Government for its reply, would run.

THE PRIME MINISTER said it ran from to-morrow, the 6th May, that is to say, the time expired on the 12th.

HERR STHAMER then asked what effect this arrangement would have on the operation of the German Reparation (Recovery) Act.⁷

The Prime Minister explained that article 9 of the Schedule of Payments provided for that. There was to be an export tax of 25 per cent, on German exports, but if any Allied Government preferred, they could collect this tax in their own country, in which case, of course, arrangements would be made to avoid the tax being collected in Germany as well. There would, of course, be no double collection. If, for example, the British Government collected more than the 25 per cent., Germany would have to make up the balance to her nationals, but there would be no increase in the total to be paid by her. Any excess over the 25 per cent. would go into the pool. He hoped, however, that it would be unnecessary for the British Government to collect more than the 25 per cent. Only in the event of this not giving the British Government its share would it be necessary to raise it. In any case, there was nothing that would add to the total liability of Germany.

Mr. Lloyd George then went on to explain in some detail the difference between the Paris Agreement and the present Schedule of Payments. Instead of the large fixed annuities provided for in the Paris Agreement, this new arrangement provided only for a fixed annuity of 100 millions sterling. The balance was provided for by a sum equivalent to 25 per cent. of the value of German exports for the twelve months. If German export trade increased then the Paris figures might be reached, but if this was not the case, the payments might be lower than the Paris Agreement.

HERR STHAMER observed that this appeared to be a simpler method.

THE PRIME MINISTER then went on to explain the system of bonds, set out in paragraph 2 of the Schedule of Payments. At the end of this explanation HERR STHAMER asked whether the agreement contained anything about Germany['s] property in foreign countries. Would there, he asked, be any lien on such properties? At the moment German private property, securities, landed property, &c., which had been seized by the British Government during the war, was held as a charge for the German debt.

MR. LLOYD GEORGE said that he was not familiar with the details of this matter, which he would enquire into. He then said that he had little doubt that M. Briand would have a good deal of difficulty in getting this measure passed through the French Chamber. In fact, someone had questioned whether the French or the German Government would have the greatest difficulty in getting it through.

Mr. Lloyd George concluded by stating his willingness to give Herr Sthamer any explanations which might assist the German Government in their difficult task, and on saying 'good-bye,' he repeated what he had said at his first interview with Herr Sthamer, that the British Government was animated

> ⁷ See No. 49, n. 4. 586

by no spirit of vindictiveness towards Germany, and was only desirous once more of re-establishing normal relations with that country. He hoped that the German Government would pave the way for this by accepting the proposal he had handed to the Ambassador.

2, Whitehall Gardens, May 5, 1921.

CHAPTER V

Conversations in Paris between British, French, and Italian representatives [une 18–19, 1921]

No. 88

Notes of meetings relating to Allied mediation in the Near East, held in Paris, June 18-19, 1921

[E 7154/143/44]

JUNE 18, 10.30 A.M.

At 10.30 Lord Curzon, accompanied by Sir Horace Rumbold, Mr. Vansittart and Mr. Osborne¹, met M. Briand and M. Berthelot² in the former's room at the Quai d'Orsay.

LORD CURZON reviewed the whole situation since the London Conference³, giving M. Briand the most recent information in the possession of His Majesty's Government relative to conditions in Greece and Turkey, and examined the possibilities inherent in a resumption of hostilities.

He pointed out that the moment was opportune for a renewal of Allied mediation, and then discussed the terms on which the Allies should base their proposals. These were briefly an extension of the London proposals regarding Smyrna, demilitarisation of that part of Eastern Thrace beyond the Chatalja line, possible further modification of financial control, a general assurance of support to a reconstituted Turkey, a possible suggestion to the Turks that the Allies would see no objection to Turkish expansion in the Caucasus, the abolition or modification of the tripartite agreement,⁴ and the other concessions contained in the London proposals.⁵

With regard to Smyrna, he would propose an autonomous province under Turkish sovereignty, administered by a Christian Governor with the assistance of a mixed gendarmerie under European officers. Greek troops to be withdrawn as soon as the gendarmerie could ensure security in the province.

- ¹ Respectively H.M. High Commissioner at Constantinople, Lord Curzon's Political Secretary, and a member of the Eastern Department of the Foreign Office.
- ² Respectively French President of the Council, and Secretary-General of the French Ministry of Foreign Affairs.
- 3 i.e. the Third Conference of London; see Chap. II, especially Nos. 13, 15, 17-26, 32-36, 48, 51-56, 58, 59, 65, 66, and 69 for discussions relating to Greece and Turkey.
- ⁴ This Agreement had been signed on Aug. 10, 1920, by representatives of Great Britain, France and Italy; see Vol. XIII, Nos. 115–18; cf. Vol. VIII, No. 13, minute 1 and Appendix A.
 - 5 See No. 53, Appendix, and No. 56.

With regard to Thrace, he pointed out the obstacles to the Enos-Media line, and suggested, as alternative concessions to Turkish demands, the enforcement of the provisions regarding Adrianople contained in the Minorities Treaty between Greece and the Allies,6 and the demilitarisation of part of the Chatalja line.

His proposal would be to submit a solution on these lines to the Greeks, and if they accepted it, to open negotiations on this basis at Constantinople and Angora. Were the Greeks to refuse, the matter would of course be at an end. The communication to the Turks would be accompanied by an intimation that a refusal would involve the withdrawal of all the concessions contained in the present offer and in the London proposals, as well as possible assistance to the Greeks in the form of a relaxation of financial restrictions, a removal of the embargo on the export of munitions of war, and possibly a blockade of Black Sea and Mediterranean ports of Asia Minor.

He pointed out that unity of action among the Allies was an essential condition of success, but that, given loyal co-operation, the omens were favourable.

Finally, he asked that the French Government should agree to the assumption by General Harington of supreme command at Constantinople, 7 a stipulation which would have considerable effect on the Turks.

JUNE 18, 3 P.M.

Lord Hardinge⁸ joined the Conference.

M. Briand thanked Lord Curzon for his very complete review of the situation, and expressed his entire agreement in the proposal for mediation.

French information was to the effect that the Greek army was better organised, but was tired of fighting, and that the Nationalists were apprehensive and anxious for a settlement. There was therefore a tendency for peace on both sides, and the moment for mediation was opportune. Failure of Allied mediation would, however, render the situation worse than before.

As to Smyrna, he thought it possible to satisfy the Turks on the lines proposed. The port of Smyrna was suffering from military occupation, and therefore commercially of no great value in present conditions. This was realised in Greece, but Greek amour-propre had to be safeguarded. Though King Constantine might wish to, he could hardly leave Smyrna⁹ while the offensive was pending, although his alleged ill-health was perhaps designed to meet this difficulty. There were also political difficulties at Athens, but acceptance by the Greeks would really depend on their confidence in impending hostilities.

As regards Thrace, M. Briand pointed out that it was the interest of the

6 Of Aug. 10, 1920; the text is printed in B.F.S.P., vol. 113, pp. 471-9.

⁷ Gen. Harington was G.O.C.-in-Chief, Army of the Black Sea; cf. Vol. XIII, Nos. 167, n. 4, 188, and 205.

8 H.M. Ambassador at Paris.

9 King Constantine, accompanied by the Crown Prince, Princes Nicholas and Andrew, the President of the Council (M. Gounaris) and the Ministers of War and Marine, had left Greece for Smyrna on June 11.

Allies to effect the transference of the Government from Angora to Constantinople, in which place the Turkish Government could be more readily controlled. But the Nationalists would refuse to come to Constantinople as long as the Greeks threatened its suburbs. The treaty solution of the question was both geographically and ethnically illogical.¹⁰ He would therefore suggest the creation of an international zone in Thrace under an international gendarmerie. He was in favour of the early evacuation of Constantinople.

With regard to finance, in which French interests were paramount, he would be willing to seek a method of securing essential control that would not offend Nationalist susceptibilities.

The Turks, he said, regarded the 'zones of influence' of the tripartite agreement as the worst encroachment on Turkish sovereignty, but might be prepared to give freely all the concessions desired. M. Briand would be willing, on behalf of France, to renounce the tripartite agreement, and thought it might be possible to induce Italy to do the same once her economic interests were secured in some other manner.

He was opposed to accompanying the submission of the Allied proposals to the Turks by threats, as he feared this would endanger acceptance.

Lastly, he said, the French Government were in entire agreement with the general proposals of His Majesty's Government, and had in fact been about to make a similar proposal for mediation.

LORD CURZON welcomed this evidence of Franco-British unanimity, and hoped that Italian adherence could be obtained.

With regard to Thrace, any proposal to modify the treaty had lapsed when the scheme for a commission of enquiry was abandoned in London. M. Briand had not referred to his own proposal, but had suggested instead an autonomous Thrace. This His Majesty's Government could not accept. Moreover, it would be useless to offer mediation at Athens on condition of the abandonment of Thrace as well as Smyrna.

With regard to threats, he pointed out that M. Briand was under a misapprehension if he thought it was proposed to threaten the Greeks in any way; so far from threatening them, it was intended to offer them help in the future should the Turks refuse our proposals. It would, however, be necessary, while offering such great concessions to Turkey, to have a threat in readiness in the event of refusal, and he knew, from his experience of the East, that a stick behind the back was very useful in dealing with Orientals.

With regard to procedure, M. Briand had suggested simultaneous action at Athens, Constantinople and Angora. He pointed out that it was essential to approach the Greeks first, for otherwise they would say that the Allies had trapped them.

With regard to finance, he welcomed M. Briand's offer of further modifications.

He strongly welcomed the generosity and statesmanship displayed by

¹⁰ The reference is to the Treaty of Sèvres (Aug. 10, 1920); the text is printed in *B.F.S.P.*, vol. 113, pp. 652-776.

¹¹ See No. 34 for the Greek Government's rejection of this scheme.

M. Briand in assenting to the abrogation of the tripartite agreement, and he counted on French co-operation at Rome. M. Briand had said nothing as to the plans for approaching the Turks, but he gratefully accepted his offer of united action in the proposed negotiations.

Further, M. Briand had said nothing in regard to the command at Constantinople; he must emphasise this point, as it was of the utmost importance as a demonstration of Allied unity.

M. Briand in reply said that he agreed to offering mediation first at Athens and subsequently approaching the Turks. He was ready to endeavour to secure Italian aims under the tripartite agreement by other methods, as, for example, a Turkish offer of free concessions.

He enquired whether His Majesty's Government could not, on their part, meet the Turkish demands in regard to Mesopotamia.

LORD CURZON said that he was ignorant of these demands, and that he considered it preferable not to raise the question of mandated territories. There was a further difficulty, in that Mesopotamia was now dealt with by the Colonial Office and not by the Foreign Office. He would, however, be interested to know what it was that the Turks had asked.

M. Briand replied that he could not enlighten him on this point, as he had refused to discuss the matter with Bekir Sami.¹²

With regard to the tripartite agreement, it was necessary to find a new formula, for the Italians would be ready to yield the letter but not the substance of the agreement.

With regard to the Constantinople command, he said that French opinion was insistent that the French position in Turkey should be safeguarded, but he had no doubt that the matter could be resolved at once.

M. Berthelot said that the Italians would resist unless some guarantees were provided, such as possibly an undertaking by Great Britain and France not to seek concessions in the Italian zone.

LORD CURZON said he understood M. Berthelot to propose replacing the Allied agreement by an undertaking as between gentlemen, a suggestion in which he concurred.

There followed some further discussion of the question of command.

Lord Curzon pointed out that the obligations of the Allies to protect the Christian minorities under the tripartite agreement could not be ignored, and that the advantages conferred thereby were inseparable from the responsibilities it imposed.

M. Briand agreed, but pointed out that it was impossible to protect the Armenians everywhere.

LORD CURZON reiterated the views of His Majesty's Government relative to the protection of minorities.

Further discussion ensued about the tripartite agreement. M. Briand pointed out that should this prove to be the sole obstacle to peace Italy's refusal could not be maintained.

¹² Turkish Nationalist Minister for Foreign Affairs. Bekir Sami Bey had led the Nationalist delegation to the Third Conference of London, see Chap. II.

LORD CURZON thought that the situation was rendered easier by the fact that the agreement had never been ratified.

He then asked whether M. Briand would examine his proposal relative to Thrace, since His Majesty's Government could not go beyond it.

M. Briand thought that it would not satisfy the Turks, and suggested a return to the Commission of Enquiry originally suggested in London.

LORD CURZON said this would ensure failure at Athens.

M. Briand thought the Greeks would accept if they really wanted peace, but agreed that the final form of the Thracian solution could only be arrived at when the negotiations had begun.

LORD CURZON asked what the French Government would say if the Greeks demanded the recognition of King Constantine as the price of their acceptance.

M. Briand did not believe they would do so, but added that in no case could the French acknowledge King Constantine.

JUNE 18, 5 P.M.

The Italian Ambassador,¹³ Signor Galli and M. Kammerer¹⁴ were also present.

M. Briand explained the general proposals to the Italian Ambassador but suggested a revival of the plan for Commission of Enquiry for Thrace should Lord Curzon's proposal be refused.

THE ITALIAN AMBASSADOR agreed to the proposal as regards Smyrna and to a Commission for Thrace.

LORD CURZON supplemented M. Briand's explanation. He pointed out that if the Greeks refused at the start, nothing more could be done, and the responsibility would rest on them. His Majesty's Government could not, he said, go further than the demilitarisation of a zone beyond Chatalja. With regard to action at Athens he proposed drafting a preliminary invitation; the actual proposals would only be submitted at a further stage.

THE ITALIAN AMBASSADOR explained that he was not empowered to accept anything, but would immediately consult his Government. He must, however, make the fullest reservations as to the abrogation or modification of the tripartite agreement.

M. Briand explained to him at some length that it was intended to safeguard all Italian rights under the agreement.

LORD CURZON pointed out that His Majesty's Government must insist on the maintenance of responsibility for the Christian minorities.

Lord Curzon then raised the question of procedure at Athens and Constantinople, and discussed how far the Allies should recognise the duality between Constantinople and Angora. It might be found desirable for each of the Allies to send a representative to the latter place, but he emphasised

13 Presumably the Italian Ambassador at Paris, Count Bonin.

¹⁴ Respectively Secretary of the Italian delegation, and Head of the Asia and Oceanic Section in the French Ministry of Foreign Affairs.

the supreme importance of all three Governments acting together and conducting negotiations in common, and he referred to and condemned the French and Italian separate agreements with the Nationalists. If an agreement were arrived at it might be by the three Powers acting together and signing a single document, not by each Power seeking to obtain a separate agreement and special advantages for itself. He also insisted that the offer to Turkey should be accompanied by an intimation of penalties for refusal.

M. Briand did not agree, as he considered that the Allied stick was not big enough to be effective and would only irritate the Turkish extremists. If any threats were to be made, he would prefer to threaten both sides, but, in the circumstances, he would abstain from threatening either party at the beginning.

LORD CURZON repeated that there was no case for threatening the Greeks, but that the British Government feared that concessions to the Turks would be fruitless unless accompanied by a threat.

M. Briand said that the French nation would not tolerate a conflict with the Turks by an anti-Turkish or pro-Greek geste.

LORD CURZON said that British opinion was equally opposed to going to war. But if the Turks refused the concessions offered to them, these must automatically lapse.

M. Briand agreed. He added that the psychological moment had arrived for mediation, since both sides were in a difficult situation. It was the duty of the Allies to do what they could, and he personally believed they would succeed. He enquired whether His Majesty's Government could not approach the Soviet Government with a view to cutting off this source of supply to the Turks. The threat involved in this procedure would have a great effect on Turkish extremists.

LORD CURZON pointed out that the Nationalists had a treaty with Moscow¹⁶ and were in closest possible touch with them. The object of the Allies was to detach the Turks from Moscow. His Majesty's Government were prepared to promise all possible assistance to the Turkey of the future if mediation were accepted. He doubted, however, whether it would be of the slightest use to approach the Soviets.

THE ITALIAN AMBASSADOR was of like opinion.

The meeting then broke up.

June 19, 10.30 A.M.

Present: M. Briand, M. Berthelot, M. Kammerer, Lord Curzon, Lord Hardinge, Sir H. Rumbold, Mr. Vansittart, Mr. Osborne, Italian Ambassador, Signor Galli.

¹⁵ See No. 69, n. 4 for the Franco-Turkish agreement of March 10, 1921. An agreement between the Italian and Turkish Nationalist Governments for Italian economic development in Anatolia had been signed in London on March 13. A French text of this agreement is printed in Count C. Sforza, *Diplomatic Europe since the Treaty of Versailles* (New Haven, 1928), pp. 104-5.

¹⁶ Signed at Moscow on March 16, 1921. An English text is printed in B.F.S.P., vol. 118, pp. 990-6.

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LORD CURZON read the draft telegram to Athens [Appendix 2] which he had prepared, and gave a copy to M. Briand and the Italian Ambassador, both of whom expressed themselves as delighted with its terms. The latter undertook to submit it immediately to his Government.

M. Briand enquired whether the telegram should be despatched before the three Governments had agreed on the exact terms to be submitted to the Greeks and Turks.

LORD CURZON thought the telegram should be sent at once, but stated his readiness to proceed to the immediate settlement of the proposed terms of settlement.

M. Briand said that he could not accept all Lord Curzon's proposed terms without consulting his Government; he agreed as to Smyrna, but not as to Thrace.

LORD CURZON said he could not go beyond what he had suggested yesterday, i.e., the arrangement in regard to Adrianople, guarantees for the Moslems in Thrace, and demilitarisation. But he was not prepared to accept either autonomy or a commission of enquiry; the latter had been refused by the Greeks, and we could not now impose it.

M. Briand said that the success of mediation depended on meeting the Turkish demands. The commission of enquiry had, he added, been accepted in principle in London.

LORD CURZON replied that this was a question of fact. The proposal for the commissions had been refused and had therefore lapsed, and other proposals had been devised in its place. The Allies were in no way committed to a commission. At this stage it was necessary to settle not the ultimate basis of peace, but the conditions on which Greece would commit her case to the Allies. She would refuse to give up Thrace. If, at a later stage, the Turks raised the question of Thrace it could then be considered, but meanwhile we could wait until they did so.

M. Briand assented, as it was only a question of procedure.

THE ITALIAN AMBASSADOR said that it was very undesirable to give the Greeks the impression that they had Allied support on the question of Thrace.

M. Berthelot pointed out that a settlement of Thrace might ultimately be arranged between the Greeks and the Turks, and the presentation of our proposals to the Turks did not prevent us from modifying or adding to our conditions at a later date.

LORD CURZON agreed. If the Greeks asked about Thrace we should refer them to our proposal for demilitarisation. If the Turks refused to accept our terms without the inclusion of Thrace we could discuss the matter further. But let us open the first door before worrying about what might be behind the second.

M. Briand said that the question of Thrace was therefore reserved.

LORD CURZON asked the Italian Ambassador whether it was necessary to await a reply to his first telegram to Rome before sending off the telegram to Athens. His Excellency replied that it was necessary to await the Italian agreement on principle, but he expected a reply this evening.

LORD CURZON read to the meeting a telegram from the commander-inchief in the Mediterranean, saying that the Greek offensive was suspended.¹⁷

M. Briand observed: 'L'offensive est suspendue à nos lèvres.'18

LORD CURZON raised the question of Bekir Samy's [sic] visit to Rome and his alleged mission to the French and Italian Governments.¹⁹

M. Briand said that the visit was entirely unofficial, and might be intended to delay final decision. But he looked to a union of the Constantinople Cabinet, under Izzet Pasha,²⁰ with the Nationalist moderates, including Mustapha Kemal,²¹ a combination with which we could come to an agreement.

The question of the Constantinople command was then discussed, and M. Briand accepted the formula arrived at before the meeting.²²

THE ITALIAN AMBASSADOR said he must obtain his Government's concurrence.

M. Berthelot said it would be easy to satisfy the Italians on the question of minor appointments.

M. Briand thought it would be desirable not to make a public advertisement of General Harington's assumption of command lest it should be interpreted as a threat, and so endanger the negotiations.

Further discussion followed as to the best means of securing to Italy the substance of her advantages under the tripartite agreement. The ITALIAN Ambassador said it was of vital importance to Italy, as it represented the sole Asiatic fruits of her victory.

M. BRIAND referred to the Turkish susceptibilities as to the encroachments on their sovereignty, and to their readiness to give the concessions involved. He added that the question was not an urgent one, and suggested that this concession be left until the Turks demand it.

THE ITALIAN AMBASSADOR repeated his reserves.

M. Berthelot said that the assumption of command at Constantinople must not be too formal; the necessary orders would be sent to General Charpy.²³

LORD CURZON said that the important thing was that it should come into force at once.

Lord Curzon said that we were telegraphing to Athens. What was the

- ¹⁷ Presumably telegram No. 323 of June 18 from Admiral Sir J. de Robeck to the Admiralty, which read: 'King of Greece remains at Cordelio about three miles North of Smyrna for the present. ?(Offensive) is expected to commence in about a ?(fortnight) after King's visit to the front. . .'
- ¹⁸ M. Briand was here indulging in a play on words, the neatness of which it is impossible to convey in English. The literal translation of his phrase is: 'The offensive hangs on our lips', i.e. 'depends on a word from us'.
- 19 Bekir Sami Bey had arrived in Rome on June 18. He was expected to go on to Paris, where he arrived on June 27.
- ²⁰ A former Grand Vizier, at this time Minister for Foreign Affairs in the Turkish government.
 - 21 Leader of the Turkish Nationalists.
 - 22 See Appendix 3 for the agreement reached.
 - ²³ G.O.C. French Forces at Constantinople.



next step? The Greek Government would either refuse or ask what were our conditions. In the latter case we should have the conditions ready. He therefore offered to prepare a draft reply to the Greek enquiry for later discussion with the two Governments.

M. Briand gladly agreed to this proposal.

LORD CURZON said there was no advantage in discussing the terms further at present, since no reply to the first telegram would in all probability be received from Athens for a week after its despatch, and the terms of the second telegram must necessarily depend upon the answer to the first.

THE ITALIAN AMBASSADOR said it would be better to forward the second draft direct to Rome from London. Lord Curzon agreed.

LORD CURZON asked a further question as to the alleged missions of M. Franklin Bouillon and Signor Tuozzi to Angora.²⁴ M. Briand replied that M. Bouillon had no mission from the French Government, but had gone as a French journalist to report upon the situation. Count Bonin informed Lord Curzon that Signor Tuozzi had been stopped by the Italian Government at Rhodes.

²⁴ M. Franklin-Bouillon, a former Chairman of the Foreign Relations Committee of the French Chamber of Deputies, had arrived in Angora on June 9. Signor Tuozzi, an Italian consular officer, had been sent to Angora, according to a statement made by the Italian Minister for Foreign Affairs in a conversation with H.M. Ambassador at Rome (reported in Rome telegram No. 230 of June 15), 'to endeavour to induce Angora Government to adopt a moderate policy and to settle all outstanding questions in a conciliatory spirit'.

APPENDIX I TO No. 88

Lord Hardinge to Sir E. Crowe²⁵ (Received June 20 [9.40 a.m.]²⁶)

Unnumbered Telegraphic

PARIS, June 20, 1921 [2.10 a.m.]

Following from Lord Curzon:-

'Please inform the Prime Minister that I have found M. Briand very well-disposed towards renewal of mediation, for which he thinks psychological moment has arrived. I gave him all the information in our possession and read to him Colonel Nairne's telegrams.²⁷ French information is to the effect that both Greeks and Nationalists will welcome a solution of their present difficulties which they can accept without loss of amour-propre.

'Following procedure has been adopted: A telegram drafted by me and accepted by M. Briand and by the Italian Ambassador, after consultation with his Government, is being despatched to Athens to-night instructing Allied representatives there to address a joint invitation to Greek Government to accept mediation and place themselves in our hands (see my telegram No. 389).²⁸

- ²⁵ Permanent Under-Secretary of State for Foreign Affairs.
- ²⁶ Times of receipt and despatch have been added from the filed copy of the telegram received in the Foreign Office.
- ²⁷ The reference appears to be to the detailed report on the state of the Greek army transmitted in Smyrna telegram No. 50 (in 4 parts) June 15-18, by Col. Hoare-Nairne, H.M. Military Attaché at Belgrade and Athens, temporarily at Smyrna.
 - 28 i.e. Appendix 2 below.

'If they agree, we shall submit to the Greeks, and, in the event of Greeks' acceptance, then to the Turks, the terms based on Chequers' programme,²⁹ upon which, after prolonged discussion, we have found ourselves in general agreement here.

'I have also persuaded M. Briand to agree to suspend tripartite agreement in its present form, though on this point we shall have more difficulty with Italians.

'I have throughout insisted upon united action, whether at Athens, Angora or Constantinople, and have deprecated recourse to independent or clandestine negotiations conducted by any of the Allies.

'Whether result be favourable or the reverse, at least the first step has thus been taken towards a possible reconciliation.'

Appendix 2 to No. 88

Lord Hardinge to Sir E. Crowe (Received June 20 [10 a.m.])

No. 389 Telegraphic

PARIS, June 19, 192130

Following from Lord Curzon:—

'The Allied Governments, after consultation together, have decided to offer their good offices with a view to averting a renewal of hostilities in the Near East and to securing an honourable and lasting peace. They are profoundly convinced that, whatever be the immediate result of renewal of conflict between Greek and Turkish forces in Asia Minor, there are not to be found therein the prospects either of any enduring pacification of the East or of a solution compatible with the real interests and ultimate capacities of either party. The belligerents themselves will possibly not dissent from Allied Governments in this definition of the objects which they should hold in view, and any result which fails to attain them, even if it brings a temporary advantage to one or other party, will be stamped with ultimate failure. In the circumstances, Allied Governments feel that they are only discharging an international duty, as well as an obligation of friendship, if they inform Greek Government at this critical juncture, before hostilities are reopened, that, if Hellenic Government is disposed to place its interests in their hands, they are prepared to attempt task of conciliation. Should Greek Government decide that they are not prepared to accept outside intervention or advice, the Allied Powers cannot persevere in an action which would obviously be fruitless. In such a case the responsibility for consequences of renewed struggle will rest exclusively on Greeks themselves.

'On the other hand, should Hellenic Government decide, in its own interests, to accept intervention of the Powers, the latter will be prepared to state frankly to Greek Government the terms upon which their assistance will be proffered, and, in the event of these being accepted, to approach Turkish Government with a view to immediate suspension of hostilities and to negotiations for conclusion of peace.

'An identic telegram is being sent to your colleagues at Athens, and you should immediately join with them in making this proposal to Greek Government and in inviting from them a prompt reply.'

(Sent to Athens, No. 1; repeated to Foreign Office, Rome and Constantinople.)

²⁹ The programme outlined by Lord Curzon on June 18 (pp. 588-9) had been agreed by a Cabinet Committee on June 9 at 'Chequers', the country house in Buckinghamshire recently given to the nation for the use of British Prime Ministers.

30 This telegram was despatched on June 20 at 3.13 a.m.

Appendix 3 to No. 88

Lord Hardinge to Sir E. Crowe (Received June 19 [9 p.m.])

No. 386 Telegraphic

PARIS, June 19, 1921 [6.20 p.m.]

Following from Lord Curzon for Sir E. Crowe:-

'Agreement was reached this morning with French by which General Harington will assume immediate command of Allied troops in Constantinople, necessary instructions being sent by French Government to General Charpy.

'It was further agreed that military commission should supervise three subcommissions—

- '1. Sub-commission of control, presided over by an Italian officer.
- '2. Sub-commission of gendarmerie, presided over by a French officer.
- '3. Sub-commission of "special elements," presided over by a British officer.

'It also agreed that post of permanent secretary-general of financial commission should be attributed to a Frenchman and post of inspector-general of customs to a British official; a third analogous post will probably be devised for an Italian in order to maintain the principle of equal distribution.

'The Italian Ambassador here was unable to accept above arrangement without instructions from Rome, but is submitting them immediately to his Government, and I do not apprehend any difficulty on their part.

'Please inform War Office.'

(Repeated to Rome and Constantinople.)

No. 89

Notes du Secrétaire Français prises au cours d'une Conférence tenue le 19 Juin, 1921, à 16 heures, dans le Cabinet de Monsieur Briand, au Quai d'Orsay.¹

 $[C \ 13306/92/18]$

ETAIENT PRÉSENTS: France: Monsieur Briand; Monsieur Berthelot; Assistaient À LA SÉANCE, Monsieur Massigli.

Empire Britannique: Lord Curzon, Lord Hardinge; ASSISTAIENT A LA SÉANCE, Mr. Vansittart, Mr. Sargent.

I. Question de Haute-Silésie

M. Briand constate que le problème de Haute-Silésie a été l'origine entre les Gouvernements français et britannique d'une controverse assez vive, mais qu'il faut aboutir. M. Briand est convaincu qu'on le peut. Le point de vue du Gouvernement français n'a pas changé, il continue à penser que, dans une question aussi délicate, il est impossible pour les Gouvernements de prendre directement une détermination. Entre eux et l'opinion publique, il faut en quelque sorte un écran protecteur. C'est dans cette

¹ Copies of the French Notes were transmitted to the Foreign Office in Paris despatch No. 1867 of June 28. The French Secretary's Notes of the two meetings recorded in Nos. 89 and 90 are printed since no British Secretary's Notes have been traced.



pensée que la France avait proposé la constitution d'une Commission technique, composée de diplomates et d'experts, qui auraient pu aller sur place et qui auraient étudié le problème dans tous ces termes, en tenant compte, par conséquent, des conditions économiques et géographiques, ainsi que le prescrit le Traité.² Cette Commission aurait adressé aux Puissances un rapport et des propositions tenant compte à la fois des résultats du vote, de la répartition des suffrages, de la situation géographique et des conditions de la vie économique: elle aurait eu à dire, en particulier, si le partage du bassin industriel est possible ou s'il ne l'est pas. Si la Commission se trouvait d'accord, la tâche du Conseil Suprême serait grandement facilité; si l'entente ne se faisait pas au contraire, il resterait au Conseil Suprême à décider en dernier ressort. Le Gouvernement français était persuadé que les Alliés n'auraient aucune peine à designer chacun en ce qui le concerne les techniciens nécessaires. Cependant, il n'a pas insisté en faveur de sa proposition, parce qu'avant de prendre une décision, il importe de rétablir l'ordre; or, si le calme est en partie revenue, il subsiste de graves menaces de désordre.3 Des deux côté[s] l'excitation est encore assez grande pour que l'on ait à redouter que la décision des Puissances, quelle qu'elle soit, ne soit pas accueillie par tous avec le calme nécessaire. Il est donc essentiel que l'ordre soit au préalable entièrement rétabli. Or, les dernier[s] télégrammes présentent la situation sous un jour assez inquiétant; la Commission des chefs des partis allemands, dite Commission des Douze, a pris une attitude provocante; elle a publié une proclamation aux populations et elle a constitué en fait une sorte de gouvernement provisoire.4 D'autre part, les troupes allemandes ne cessent de croître en nombre: c'est une véritable armée qui s'organise sous le commandement d'officiers de l'ancienne armée impériale. Il y a là une situation qu'il faut faire cesser et il faut prendre des mesures d'un côté et de l'autre.

M. Berthelot remarque qu'un fait nouveau est apparu: les Polonais en ce qui les concerne, viennent d'accepter de liquider en cinq jours l'insurrection.

M. Briand ajoute que lorsqu'on s'adresse au Gouvernement allemand, celui-ci répond que le Général Hoesers resuse de lui obéir, et que ses efforts pour rétablir l'ordre restent vains. Cela est grave. Le Gouvernement français est convaincu qu'il est indispensable de liquider cette situation et il est prêt à discuter avec ses Alliés les voies et moyens. M. Briand croit qu'à l'heure actuelle une démarche extrêmement énergique, saite à la sois à Berlin et auprès des chess des partis allemands en Haute-Silésie, peut encore

- ² This proposal had been made by M. Briand during a conversation with Lord Hardinge on May 24.
- ³ Difficulties had arisen relating to the withdrawal of German self-defence (Selbstschutz) forces and Polish insurgents from Upper Silesia.
- 4 A proclamation, issued on June 18 by the Committee of Twelve, i.e. the committee of twelve representatives of different German political parties and trades unions in Upper Silesia, had called upon the Germans not to imitate the excesses of the Polish insurgents and had laid down rules for requisitioning and for the making of arrests by the Selbstschutz.
 - 5 Gen. Hoefer had taken over command of the Selbstschutz forces on May 22, 1921.

empêcher la situation de s'aggraver, sinon on se trouvera en présence d'un état de choses très inquiétant. La France ne peut admettre la formation d'une véritable armée qui, demain, est susceptible d'être employée ailleurs. Il est temps encore d'obtenir que tout le monde désarme, une démarche commune est susceptible de donner des résultats, mais si, du côté allemand, on escompte un désaccord entre les Alliés, on se heurtera à une résistance acharnée.

LORD CURZON estime qu'il y a trois questions à envisager: la situation locale, la constitution d'une Commission d'experts, la réunion du Conseil Suprême. En ce qui concerne la situation locale, Lord Curzon n'est pas tout à fait d'accord avec M. Briand. On avait d'abord eu à Oppelné l'idée, qui venait du côté français, de constiteur [sic] entre les deux partis une zone neutre: à l'application, l'idée apparat [sic] d'exécution difficile, les forces alliées n'étant pas assez nombreuses. On a alors concu un système de repli progressif des insurgés, les troupes alliées occupant au fur et à mesure le territoire évacué.7 À l'heure actuelle, le repli est arrêté du côté allemand. parce que les Allemands nourrissent des soupcons sur les intentions polonaise[s]. M. Briand dit que les représentants des partis allemands constituent un gouvernement illégal; il serait équitable, avant d'apprécier leur conduite, de se rappeler ce qui s'est passé et comment des insurgés polonais ont envahi le pays, brûlant des château[x], arrêtant les chemins de fer, commettant ville [?mille] dévastations. Si, aujourd'hui, les Allemands refusent d'évaceur [sic] les positions qu'ils occupant [sic], c'est que le Général Le Rond8 a réclamé en favour [sic] des insurgés une amnistie complète et l'institution, dans les territoires évacués, de gardes communales, constituées on[en] fait par les insurgés eux-mêmes.

En présence de cette attitude, quelle politique convient-il d'adopter? Sir Harold Stuart? estime que le rétablissement de l'ordre est impossible aussi longtemps que la région industrielle ne sera pas libérée des insurgés. A l'heure actuelle, les villes sont tenues par des troupes françaises, mais, dans les campagnes, les polonais sont les maîtres; ils administrent le territoire, et empêchent les officiers alliées, [sic] de circuler.

Les conseillers militaires anglais sont convaincus que les forces alliées seraient en mesure de procéder à l'occupation du bassin industriel. Mais cette occupation elle-même exige l'emploi de la force et, jusqu'ici le commandement français n'est pas autorisé à y recourir, à la différence du commandement britannique et du commandement italien.

Passant ensuite à la question de la constitution d'une Commission d'experts, Lord Curzon indique que le Gouvernement anglais était tout prêt à examiner

- ⁶ The headquarters of the Plebiscite Commission.
- ⁷ The withdrawals had been planned to commence on June 11.
- ⁸ Gen. Le Rond was the French representative on, and President of, the Inter-Allied Administrative and Plebiscite Commission in Upper Silesia.
- 9 Sir H. Stuart had arrived in Oppeln on June 4 to take up his appointment as British Commissioner on the Plebiscite Commission in succession to Col. Percival who had had to retire through ill health.

cette suggestion, mais que, depuis que la proposition a été formulées [sic], la situation s'est modifiée. En effet, le Colonel Percival a dû se démettre de ses fonctions pour raisons de santé et Sir Harold Stuart l'a remplacé. Il entretient les meilleures relations avec ses deux collégues.

Aux termes du Traité, il appartient aux Commissaires alliés de tâcher de déterminer la ligne frontière. Comme M. Briand, Lord Curzon estime que ce fut une erreur de confier ce soin à des militaires; quoi qu'il en soit, ceux-ci n'ont pu arriver à se mettre d'accord sur une proposition unanime. Maintenant que la Commission a pris une activité nouvelle, ne faudrait-il pas tâcher de réparer les erreurs du passé et de donner à la Commission toute entière un caractère civil puisque, en somme, c'est une œuvre de caractère civil qu'il reste à accomplir. Tout à l'heure, Lord Curzon, causant avec M. Briand, lui demandait ce que faisait actuellement M. Jonnart. 10 Ce n'était pas one [sic] question posée au hasard; M. Jonnart, en effet, lui apparaît comme le type le meilleur de l'administrateur français et il serait désirable que la Commission pût être constituée en ayant à sa tête un homme de sa valeur. Sir Harold Stuart ayant remplacé le Colonel Percival, il suffirait de remplacer le Général de Marinis¹¹ et le Général Le Rond. Sans vouloir critiquer en rien l'attitude du Général Le Rond, il faut bien dire, en effet, que sa réputation de polonophile à outrance n'a pas facilité les choses et que la situation serait extrêmement détendue si l'o[e]uvre de la Commission pouvait être continuée par un autre.

Il semble à Lord Curzon que cette suggestion doit être préférée à celle qu'a faite M. Briand. Il serait peu heureux, en effet, au moment où la Commission interalliée fait tous ses efforts pour rétablir l'ordre, qu'une autre Commission vînt s'installer à Oppeln qui rejetât dans l'ombre la première: la méthode serait fâcheuse. D'ailleurs, que servirait-il d'envoyer à Oppeln des juristes? Pour interpréter le Traité, point n'est besoin de faire le voyage de Haute-Silésie. On vout [veut] envoyer des diplomates? Mais c'est précisément la tâche des diplomates qui siègent dans les Conseils alliées [sic] de considérer la question du point de vue diplomatique. Il vaut meiux so [sic] placer sur la base du Traité de Versailles et provoquer de la Commission un autre rapport; si ce rapport émane d'une Commission reconstituée, il aura une autorité beaucoup plus grande.

Abordant enfin la question de la réunion du Conseil Suprême, Lord Curzon indique que le Gouvern[e]ment britannique avait vivement désiré cette réunion au cours des semaines passées, mais le projet s'est heurté en France à des difficultés d'ordre parlementaire que la Grande-Bretagne a parfaitement comprises et devant lesquelles elle s'est inclinée.¹² Lord Curzon tient cependant à dire que le Gouvernement britannique est à la disposition de M. Briand pour que le Conseil ait lieu à la date que celui-ci fixera.

¹⁰ M. Jonnart, Senator for the Pas-du-Calais, had twice held the office of Governor-General of Algeria (1900–1 and 1903–11) and had served as Allied High Commissioner charged with the affairs of the Greek Kingdom in 1916–17.

¹¹ Italian Commissioner on the Plebiscite Commission.

¹² M. Briand's foreign policy had been attacked in the Chambers at the end of May.

Lorsque la réunion aura lieu, si l'on suit le plan que propose Lord Curzon et si la Commission arrive à établir un rapport unanime, la tâche du Conseil se trouvera extrêmement facilité[e]. Si le désaccord subsiste, le moment sera venu de faire état de la suggestion faite par M. Briand et de demander l'avis d'un Comité de diplomates, d'ingénieurs et de juristes.

M. Briand estime qu'il y a dans l'affaire deux questions qu'il ne faut pas confondre: la question du rétablissement de l'ordre et celle du choix de la méthode qui permettra de prendre sur le fond du problème la décision la meilleure, non pas seulement la décision la meilleure en soi, mais la décision la meilleure aux yeux de l'opinion polonaise et de l'opinion allemande. Dans l'état actuel des choses, en effet, il ne faut pas se dissimuler que si la décision qui sera prise n'est pas acceptée par les deux partis, ce sera la guerre civile. Lorsque, pour la première fois, la question de l'occupation par les troupes alliées de la Haute-Silésie a été posée, on avait envisagé l'envoi de 50 à 60.000 hommes; or, il y a là-bas aujourd'hui 18.000 hommes qui se trouveront dans l'impossibilité absolue d'assurer le respect de la décision qui sera prise. Il ne faut pas oublier que, lorsqu'il y a peu de jours il a été question en Haute-Silésie d'employer la force pour réduire l'insurrection, tous les chefs militaires, y compris les chefs britanniques, ont reconnu que ce serait une véritable folie. L'objection qui valait alors est aujourd'hui beaucoup plus forte, l'organisation allemande s'est en effet singulièrement fortifiée.

M. Briand ne nie pas que les Polonais aient eu les premiers torts et qu'ils aient commis de regrettables abus, mais il faut avouer que la population allemande a adopté la même attitude. Tous les jours des volontaires arrivent d'Allemagne, une véritable armée se constitue qui reçoit d'Allemagne: fusils, mitrailleuses, canons et munitions. Malgré les interdictions prononcées par le Gouvernement allemand, des bureaux de recrutement sont ouverts dans plusieurs villes du Reich, une armée de rebelles se constitue. En présence de cette situation, les Commissaires alliés en Haute-Silésie, on de [sic] doit pas l'oublier, agissent en parfait accord. Ils ont obtenu le désarmement des insurgés polonais dans un délai de cinq jours; les Allemands, eux, ont refusé de se replier et de désarmer. C'est l'attitude des troupes du Général Hoefer qui empêche là-bas le rétablissement de l'ordre. Il est hors de doute, en effet, qu'avec les forces dont les alliés disposent sur place, il est impossible de maîtriser la situation. S'il y a nécessité absolue, le Gouvernement français est prêt à envoyer là-bas 30.000 hommes, dotés d'un abondant matériel, et alors l'ordre sera rétabli des deux côtés et il le sera complètement, mais à l'heure actuelle on n'en est pas là.

Quant à la méthode à suivre pour arriver à la décision définitive sur le sort de la Haute-Silésie, le Gouvernement français avait proposé la réunion d'une Commission comprenant des juristes parce que force est bien de constater que les termes du Traité peuvent être interprétés de façons très différentes. En fait, les Gouvernements se trouvent en présence de trois propositions, qui ne s'accordent pas et qui se fondent en partie sur des conclusions qui n'ont rien à voir avec les chiffres. Telles sont les raisons qui avaient motivé la proposition française, mais le Gouvernement français ne

tient nullement à ce que la Commission travaille en Haute-Silésie, elle peut fort bien travailler ici.

Lord Curzon propose de modifier la composition même de la Commission interalliée. Le Gouvernement français ne peut pas se rallier à sa suggestion; il estime pour sa part que le Général Le Rond a rempli du mieux qu'il a pu la tâche qui lui incombait dans des conditions très difficiles. Sans doute, pour tracer la frontière, il vaudrait mieux recourir à des techniciens et, pour sa part, M. Briand est convaincu que le Général Le Rond ne serait ni étonné, ni affligé, d'une décision dans ce sens. Lord Curzon reconnaît que la collaboration des techniciens peut être utile, mais il veut d'abord que le Conseil Suprême se réunisse. Or, le pire serait que le Conseil s'assemblât pour constater son impuissance. Les Gouvernements sont saisis de trois propositions différentes, qui s'appuient sur des considérations d'ordre statistique, économique et géographique, dont le Conseil n'est pas en état de trancher le débat: il est tout naturel qu'il demande à une Commission de l'éclairer, la sagesse exige que l'enquête technique soit faite avant la réunion et non pas après.

Résumant la situation, M. Briand conclut que, au point de vue de l'ordre, on ne peut pas prétendre que les organisations allemandes soient des organisations d'auto-protection, la France ne saurait tolérer la formation d'une véritable armée de 40.000 hommes; à diverses reprises, le Gouvernement français a prévenu le Gouvernement allemand: celui-ci se dit débordé. La France ne le préviendra plus. Si une dernière démarche énergique n'est pas faite rapidement, les choses prendront une fâcheuse tournure. Une action concertée peut encore sauver la situation, mais si on laisse passer le moment actuel, ce sera trop tard.

Quant au règlement général de la question de Haute-Silésie, M. Briand admettrait fort bien que sa proposition fût modifiée; on peut exclure les représentants diplomatiques de la Commission qui est envisagée, mais il tiendrait, pour sa part, que des juristes en fissent partie. La Commission, d'autre part, pourrait fort bien travailler à Paris et présenter son rapport au Conseil Suprême. Ce que M. Briand demande à Lord Curzon, c'est de bien voir quelle importance a pour la France la solution du problème: l'opinion publique est à ce sujet fort excitée, elle sait que la possession de la Haute-Silésie équivaut à des possibilités de fabrication de canons et d'obus.

Lord Curzon comprend très bien que la France attache à la question silésienne une importance particulière et que l'opinion française y prenne un intérêt peut-être plus grand que l'opinion anglaise. Mais il est surpris d'entendre M. Briand déclarer que les forces alliées sont à l'heure actuelle insuffisantes pour rétablir l'ordre. Les 20.000 hommes qui sont là-bas permettent de venir à bout des insurgés qui sont mal armés et mal équipés. Cependant, puisque M. Briand ne paraît pas disposé à faire procéder à l'occupation par la force de la zone industrielle, Lord Curzon ne veut pas insister.

M. Briand, interrompant la traduction, remarque que le problème n'est pas

d'occuper la zone industrielle, puisque les insurgés polonais sont prêts à se soumettre; le problème, c'est de venir à bout des Allemands.

LORD CURZON réplique que les Allemands ne feront aucune résistance, s'ils voient que les Polonais sont désarmés.

M. Briand répond que la Commission a imposé des conditions que les Polonais ont acceptées: ce sont les Allemands qui ont refusé.¹³

LORD CURZON observe que le refus des Allemands a été motivé par les conditions spéciales mises en avant du côté français.

M. BRIAND n'a pas connaissance de conditions françaises spéciales. Le représentant français a pour instructions d'agir en plein accord avec ses collègues. Il croit savoir que cet accord existe: des conditions ont été signifiées aux deux partis, les Allemands ont refusé de les exécuter; telle est la situation.

LORD CURZON, reprenant son exposé, n'entend pas nier les griess articulés contre les Allemands, mais il regrette que M. Briand n'ait pas eu un mot de blâme pour les insurgés polonais qui ont commis les pires horreurs. C'est demander beaucoup à la population allemande que d'exiger d'elle qu'elle assiste les bras croisés au spectacle de la conquête de la région plébiscitaire par les insurgés polonais, sans prendre des mesures pour sa propre désense, surtout lorsqu'elle sait que les sympathies des troupes françaises vont aux Polonais plus qu'à elle.

Lord Curzon regrette aussi que M. Briand n'ait pas exprimé d'opinion sur sa proposition qui consiste à reconstituer la Commission sur de nouvelles bases: elle a échoué une première fois dans son œuvre, mais, composée d'hommes nouveaux, elle pourrait sans doute aboutir. Si sur ce point non plus un accord ne pouvait se faire, Lord Curzon devrait repartir à Londres en constatant qu'aucun progrès n'a été réalisé; ce serait vraiment fâcheux. Il tient à dire que le Gouvernement britannique a le plus ardent désir de coopérer avec le Gouvernement français et d'écarter les difficultés qui les séparent.

M. Briand remarque que la première tâche en présence de laquelle se trouve la Commission c'est actuellement de rétablir l'ordre: ce n'est pas une besogne pour laquelle un civil serait particulièrement qualifié. On pourrait peut-être placer à côté du Général Le Rond, et non au-dessus de lui, un autre Commissaire, mais la difficulté militaire est sérieuse.

LORD CURZON répond que la Commission a une double tâche: elle doit gouverner le pays et elle doit en fixer les frontières. Elle a à sa disposition des troupes qui sont placées sous le commandement du Général Gratier. Il voudrait profiter de cette occasion pour faire remarquer que le Général Gratier prend ses ordres du Général Le Rond seul au lieu de les recevoir seulement de la Commission entière, comme il le devrait. Ainsi, un seul membre de la Commission exerce pratiquement la commandement des troupes.

M. Briand réplique que les difficultés qui se sont produites à un moment donné ont été écartées et qu'à l'heure actuelle c'est la Commission toute

¹³ The Committee of Twelve had been unwilling for the German self-defence forces to withdraw from the insurgent areas until the Plebiscite Commission's authority had been re-established there; cf. nn. 3 and 4 above.

entière qui donne ses ordres au Général Gratier. Le Gouvernement français ne peut pas songer, dans les circonstances présentes et étant donné les attaques dont le Général Le Rond a été l'objet dans la presse allemande, à le déplacer; tout au plus pourrait-on envisager une limitation de ses attributions.

LORD CURZON croit que sa pensée a été mal comprise. Il y a en Haute-Silésie une Commission composée du G^{al} Le Rond, de Sir H. Stuart et du G^{al} de Marinis: elle a pour tâche la fixation des frontières. Le Gouvernement britannique a le sentiment que la Commission peut aboutir si le G^{al} Le Rond et le G^{al} de Marinis sont remplacés dans leurs fonctions.

M. Briand répète que cela ne se peut pas. La Commission a arrêté à l'unanimité un programme pour le rétablissement de l'ordre, elle seule peut veiller à la réalisation de ce programme; on peut, il est vrai, lui adjoindre des techniciens pour l'étude de l'autre problème qui s'impose à elle, le partage de la Haute-Silésie.

Lord Curzon maintient que le rôle de la Commission est essentiellement d'administrer le pays et de fixer la frontière; pour le maintien de l'ordre, il y a des troupes. Or, trois généraux ne sont pas faits pour administrer un territoire et pour fixer une frontière.

M. Briand ne peut que maintenir ce qu'il a dit précédem[m]ent: la Commission, dans l'état actuel des choses, est absorbée par le souci du rétablissement de l'ordre. En ce qui concerne le tracé de la frontière, elle n'est pas arrivée à formuler des propositions unanimes. Les Gouvernements doivent se saisir de ces propositions pour arriver à une solution. Tout cela est dans le cadre du Traité. On sort du Traité en constituant une nouvelle Commission. Quant à la question du remplacement du Général Le Rond, M. Briand ne peut que répéter ce qu'il a déjà dit: c'est impossible, dans les circonstances actuelles, et pareille mesure constituerait pour les extrémistes allemands un dangereux encouragement.

LORD HARDINGE demande s'il ne serait pas possible de réduire au moins le Général Le Rond à un rôle militaire.

M. Briand répond que cela n'est pas consorme aux termes du Traité: le commandement des troupes en Haute-Silésie appartient à la Commission. Il propose d'interrompre la séance et de la reprendre en présence de l'Ambassadeur d'Italie.

La séance est levée à 17 heures 45.

No. 90

Notes du Secrétaire Français prises au cours d'une Conférence tenue le 19 Juin 1921, à 18 heures, dans le Cabinet de Monsieur Briand, au Quai d'Orsay¹ [C 13306/92/18]

ETAIENT PRÉSENTS: France: M. Briand, M. Berthelot; Assistaient à la séance: M. Massigli.

Empire Britannique: Lord Curzon, Lord Hardinge; Assistaient À LA SÉANCE: Mr. Vansittart, Mr. Sargent.

¹ See No. 89, n. 1.

I. Affaires d'Orient

LE COMTE BONIN annonce qu'il a reçu avis que son Gouvernement approuvait le principe d'une démarche à Athènes.² Quant à la question du commandement unique à Constantinople, elle ne soulève de la part de l'Italie aucune difficulté.³ Par contre, en ce qui concerne la présidence des sous-commissions militaires et du secrétariat de la commission financière, l'Italie avait fait des propositions,⁴ il serait donc opportun que M. Galli pût s'en entretenir avec M. Kammerer et M. Vansittart: jusque là, le Comte Bonin doit réserver entièrement l'avis de son Gouvernement.

II. Affaires de Haute-Silésie

M. Briand résume la conversation qu'il vient d'avoir avec Lord Curzon au sujet de la Haute-Silésie. Il a insisté sur sa proposition tendant à la constitution d'une Commission d'experts et a marqué, d'autre part, que, avant que le Conseil Suprême pût statuer sur la question, il était essentiel que l'ordre fût rétabli. L'accord, à l'heure actuelle, existe complet entre les Commissaires sur la pression qu'il convient d'exercer des deux côtés. C'est une circonstance dont il faut profiter. De son côté, Lord Curzon aurait voulu que l'on modifiât la composition de la Commission de Haute-Silésie, en substituant des civils aux militaires. M. Briand a remarqué qu'étant donné la tournure prise par les événements, il ne pouvait pas songer à modifier les conditions du mandat du Général Le Rond, sous peine d'aggraver le désordre et d'encourager la résistance allemande. Il souhaiterait vivement que la Conférence ne se séparât pas avant que les Gouvernements eussent rapproché leurs points de vue et il serait heureux si le Comte Bonin pouvait présenter à cet égard une suggestion.

LE COMTE BONIN serait heureux de pouvoir jouer le rôle de conciliateur qu'on lui offre. Il rappelle que le Gouvernement Italien avait accepté l'idée mise en avant par le Gouvernement français de constituer une Commission technique, qui ne devait d'ailleurs ni se superposer, ni se substituer à la Commission de Haute-Silésie et qui aurait siégé soit sur place, soit à Paris.

- M. Briand rappelle qu'il a proposé que la Commission se réunisse à Paris, mais qu'il n'insisterait pas si l'on présère qu'elle se réunisse sur place.
- ² For the proposed démarche and the reservation concerning its acceptance made by Count Bonin on June 18, see No. 88, Appendix 2 and p. 592.
- ³ For the Anglo-French agreement on this subject and the attitude of the Italian Ambassabor, see No. 88, Appendix 3.
- 4 In Paris telegram No. 394 of June 20 (not printed) Mr. Vansittart had reported that the Italian representative had stated that 'as British and French had... agreed between themselves respecting the Inspector General of Customs and Secretary General of Financial Commission, Italian Government would also ask for some equivalent post such as Contrôleur du Budget which they would specify as soon as possible'.
 - 5 See No. 89.

LE COMTE BONIN estime qu'avant tout, il faut rétablir l'ordre et la légalité, c'est une condition pour les travaux mêmes de la Commission technique. Ne serait-il pas possible de fondre les deux propositions, on [sic] adjoignant à la Commission d'Oppeln des techniciens qui l'aideraient dans sa tâche sur la fixation de la frontière? Il est convaincu que cette collaboration serait bien accueillie par les Commissaires.

Lord Curzon demande si on est certain que la Commission accueillerait favorablement l'envoi de techniciens qui, en réalité, pourrait facilement l'affaiblir et l'embarrasser. Dans ces conditions, ne pourrait-on pas poser par télégramme à la Commission les deux questions suivantes:

1. La Commission croit-elle être en état de soumettre aux Puissances une proposition commune sur la fixation de la frontière?

Dans l'affirmative, dans quel délai ses propositions pourront-elles être envoyées?

2. Si la Commission, au contraire, ne croit pas pouvoir aboutir, estime-telle que l'adjonction de techniciens lui serait utile?

Si la Commission répond négativement, il restera à envisager la réunion du Comité d'experts à Paris, à Londres ou ailleurs, mais Lord Curzon doit remarquer que l'opinion de Sir Harold Stuart était que la population locale serait de nouveau surexcitée si elle pensait que, tandis que la Commission s'emploie sur place à rétablir l'ordre, on travaille ailleurs à fixer la frontière.

M. Briand accepte cette proposition. La première condition à réaliser est en effet le rétablissement de l'ordre et il peut être dangereux de travailler à l'établissement de la frontière avant que la légalité soit restaurée. Un télégramme dans ce sens pourrait être immédiatement rédigé.

LE COMTE BONIN fait observer qu'il appartiendra au Gouvernement de Rome, s'il approuve la proposition, d'envoyer de son côté ce télégramme.

En attendant, les représentants britanniques et français décident d'adresser chacun à leurs représentants le télégramme qui figure à l'Annexe I.6

III. Sanctions

Lord Curzon désire, avant que la Conférence ne se sépare, poser la question du maintien des sanctions décidées à Londres au mois de Mars.⁷ En ce qui le concerne, le Gouvernement anglais [? pense], et le Gouvernement italien est du même avis, qu'il faut tenir compte de la bonne volonté du Gouvernement allemand et répondre à cette bonne volonté par un geste libéral.

M. BRIAND ne veut pas mettre en doute la bonne volonté allemande, mais, avant de se montrer généreux, il estime nécessaire d'attendre les résultats. Ce sont les sanctions qui ont agi sur l'esprit allemand: le Gouvernement français ne peut accepter de les supprimer, aussi longtemps que le désarmement ne sera pas achevé et que les paiements dûs par l'Allemagne n'auront été qu'en partie achevés. La question assurément se posera [?à] un

⁶ The English text of the telegram sent to Sir H. Stuart was repeated to the Foreign Office as Paris telegram No. 390 of June 20.

⁷ For these sanctions, see No. 30, p. 257, and No. 31, n. 7.

moment donné et la France sera prête à l'examiner dans un esprit libéral, mais, pour le moment, elle ne se pose pas.

LORD CURZON demande si la France envisage de la même façon le maintien de la barrière douanière.

M. Briand répond qu'il ne sépare pas les trois sanctions: occupation des ports du Rhin, barrière douanière et prélèvement des 50%.8

LORD CURZON remarque que le prélèvement de 50% n'existe plus, il a été remplacé par un prélèvement de 26%. Il ne veut pas insister, mais il tient à marquer que la question devra être discutée par le Conseil Suprême.

M. Briand dit qu'en effet c'est un sujet qu'il faudra traiter plus tard.

LORD CURZON demande à M. Briand à quelle date il pense que le Conseil Suprême pourra se réunir.

M. Briand répond qu'il suppose qu'après l'achèvement de la session parlementaire il n'y aura pas de difficulté.

IV. Démarche à Berlin

M. Briand demande à Lord Curzon s'il n'est pas disposé à s'associer à une démarche à Berlin pour mettre un terme à l'attitude des insurgés allemands de Haute-Silésie.

LORD CURZON répond qu'il ne peut pas adhérer à pareille proposition, aussi longtemps qu'il n'aura pas de renseignements précis sur les causes de l'attitude prise par les Allemands de Haute-Silésie: la discussion a montré tout à l'heure que ses renseignements ne s'accordaient pas sur ces points avec ceux du Gouvernement français.

La séance est levée à 19 heures.

i.e. the agreed percentage charge on certain German goods imported into Allied countries which was to be applied towards the discharge of Germany's reparation obligations; see No. 49, n. 4, No. 71, Appendix (p. 470) and No. 72, pp. 478-81.

9 The reference is to the percentage payments on exports from Germany laid down in section 4 (2) and (3) of the Schedule of Payments presented to Herr Sthamer, the German Ambassador in London, on May 5; see No. 83, Appendix 2 (cf. No. 87).

Annexe I

Les Gouvernements britannique, français et italien sont d'accord pour poser à la Commission les questions suivantes:

1. La Commission estime-t-elle, dans les conditions où elle se trouve actuellement et en disposant de plus de temps que pour son premier rapport, pouvoir se mettre d'accord sur une proposition unique relative à un tracé de frontière entre la Pologne et l'Allemagne?

Dans l'affirmative, dans quel délai ce rapport pourrait-il être établi et adressé aux Puissances?

2. Si la Commission ne se croit pas en mesure d'aboutir à une proposition commune, estime-t-elle que l'adjonction de techniciens (juristes et ingénieurs) choisis par les Gouvernements et envoyés sur les lieux serait de nature à faciliter sa tâche et lui permettre d'arriver à une solution commune?

CHAPTER VI

Proceedings of the Third Conference of Paris and Records of Conversations connected therewith August 8–13, 1921

No. 91

1.C.P. 201] British Secretary's Notes of an Allied Conference held at the Quai d'Orsay (Salle d'Horloge), Paris, on Monday, August 8, 1921, at 3 p.m.

PRESENT: United States of America: Colonel the Hon. G. Harvey, Ambassador in London; POLITICAL EXPERT, Mr. Butler Wright; SECRETARY, Mr. Lane.

British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister; The Most Hon. the Marquess Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; Political experts, Sir H. Stuart, Sir C. Hurst, Mr. Vansittart, Mr. Waterlow, Sir E. Grigg, Major Clarke; MILITARY, NAVAL AND AIR EXPERT, Colonel Twiss; SECRETARIES, Sir M. Hankey, Mr. Howorth.

France: M. Briand, President of the Council (in the Chair); M. Loucheur, M. Berthelot, Secretary-General of the Foreign Office; POLITICAL EXPERTS, General Le Rond, M. Laroche, M. Fromageot, Cr[Ct]. de Montal, M. Perret du Cray; SECRETARIES, M. Massigli (Secretary-General), M. Brugère, M. Bressy, M. Lagarde.

Italy: Signor Bonomi, President of the Council; Marquis della Torretta, Minister for Foreign Affairs; POLITICAL EXPERTS, General de Marinis, Signor Brambilla, Signor Torrefranca; SECRETARIES, Signor Galli, Count Vanutelli Rey, Signor Garbasso, Signor Valentino.

Japan: Viscount Ishii, Ambassador in Paris; Baron Hayashi, Ambassador in London; POLITICAL EXPERTS, Mr. Matsuda, Mr. Debuchi; SECRETARIES, Mr. Kato, Mr. Yoshizawa.

INTERPRETER: M. Camerlynck.

M. Briand, in opening the proceedings, extended a most hearty welcome on behalf of the French Government to the members of the Allied delegations who had come to Paris to attend the present Inter-Allied Conference. He sincerely hoped that every member of the conference would leave Paris, not only with the most pleasant recollections of the meeting, but with the satisfaction of having assisted to find solutions for the difficult problems which the conference had been called together to consider. He felt confident that the high temperature outside would be in no way reflected in the proceedings of the conference, and that he could rely on the goodwill of all the members

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to secure that the proceedings were conducted in the same conciliatory atmosphere as had obtained on previous occasions. If this was so the great difficulties in front of the meeting would, he felt confident, be satisfactorily solved.

The French delegation had the greatest desire to reach a just and satisfactory settlement of the outstanding questions enumerated on the agenda. Of these questions, that relating to Upper Silesia and to the reinforcements which the Allies might find it necessary to send to that district, would be taken first, and perhaps the best procedure would be for him (M. Briand) to call upon the Allied experts, who had, during the last few days, been giving very careful consideration to the whole question, to state the point of view of the respective countries represented by them. While the experts had unfortunately been unable to submit to the conference a unanimous report, they had undoubtedly reached a substantial amount of agreement, and their investigations of those points on which they had been unable to agree would undoubtedly prove of great value to the conference in its consideration of the matter. In any case, it was, in the view of the French delegation, of the utmost importance that the question of reinforcements should be discussed within the next few days.

MR. LLOYD GEORGE said that he had only a few words to add to M. Briand's introductory remarks. He felt sure that all the members of the Allied delegations appreciated the warm welcome extended to them by M. Briand on behalf of the French Government. He concurred entirely with M. Briand's hope that the proceedings would, as in the past, be conducted in a friendly and conciliatory spirit, and he agreed that the problems confronting the conference, and particularly that relating to Upper Silesia, were of the utmost gravity and difficulty. In his (Mr. Lloyd George's) long experience of inter-Allied conferences no question of greater complexity had arisen than that of Upper Silesia, which was not only difficult in itself, but dangerous in its possible reactions. He was sure that if the conference considered the question in a conciliatory spirit a solution would be forthcoming. He agreed that the best method of procedure would be for the conference to inform itself of the different points of view of the countries which had examined the question from the legal and technical point of view. It was, of course, regrettable that the experts had been unable to reach entire agreement, and it was all the more necessary that the conference should hear from the lips of the experts what was the real difficulty in the way of complete agreement. He assured M. Briand that he completely agreed that the question of reinforcements should be considered without delay, this, indeed, was one of the questions which the conference had been specially summoned to discuss.

Signor Bonom thanked M. Briand most cordially for the kind words of welcome which had been extended to the Allied delegates. Although he personally was new to meetings of inter-Allied conferences he could assure the conference that he fully appreciated the weight of responsibility which

A committee of experts (proposed in June; cf. No. 90, minute 2) had been meeting in Paris since the end of July examining proposals relating to the new frontiers of Upper Silesia.

rested on his shoulders in regard to the settlement of questions which must affect, in the highest degree, the peace, happiness and prosperity of many thousands of individuals. He trusted that the fall in the temperature outside was a happy omen that the discussions of the conference would take place in the most amicable and conciliatory spirit.

M. Briand said that before asking Colonel Harvey to say a few words he desired, on behalf of the Allied delegates, to express the very great satisfaction felt by all at seeing present again in their midst the representative of their great friend and ally, the United States of America.²

Colonel Harvey thanked M. Briand on behalf of the President of the United States, and informed the conference that he had been authorised by the President to convey his (Mr. Harding's) great satisfaction at the excellent prospects which seemed to promise most fruitful results from the deliberations of the conference.

BARON HAYASHI also thanked M. Briand for his words of welcome, and said he entirely agreed that with a conciliatory spirit displayed by all a solution of the difficult questions confronting the meeting would be found.

M. Briand then proposed that M. Fromageot,³ who acted as chairman of the Committee of Experts on Upper Silesia, should be asked to report the result of the meeting of the conference.

MR. LLOYD GEORGE remarked that, before M. Fromageot began to speak, he desired to draw attention to the fact that the Allied delegations had already been furnished with a report (Paper No. A.J. 287—Appendix) of what the experts had actually accomplished. What, however, the conference desired to hear was the statement of the French point of view. Then, he suggested, Sir Cecil Hurst⁴ should put the British point of view, and should be followed by other Allied experts. It would, he felt sure, be a waste of time to read the report to the conference.

M. Briand remarked that he understood that M. Fromageot, with the other legal members of the Committee of Experts, desired to explain to the conference the legal principles on which the experts had attempted to base the conclusions indicated in the report.

MR. LLOYD GEORGE explained that he had not the least desire to object to M. Fromageot's intervention; on the contrary, he welcomed any statement M. Fromageot could make, recalling the numerous occasion, in the past when M. Fromageot had helped the heads of the Allied delegations out of difficult situations.

M. BRIAND, in asking M. Fromageot to give his report, said that if the jurists could agree, that, in itself, would be an example to the Allied delegates.

M. Fromageot said that he proposed to speak from the strictly legal point of view. He and his colleagues on the Committee of Experts had given

² See F.R.U.S., 1921, vol. i, p. 13 for the U.S. Government's reply of May 6 to Mr. Lloyd George's telegram of May 4 (No. 82, Appendix 1 and n. 6) enquiring whether the U.S. Government were disposed to be represented at future Allied conferences.

³ Legal Adviser to the French Ministry of Foreign Affairs.

⁴ Legal Adviser to the Foreign Office.

considerable attention to the investigation of the manner in which the provisions of the Treaty of Versailles relating to Upper Silesia had been prepared. They had considered the documents preparatory to the treaty and the treaty itself with a view to reaching some correct interpretation of the phraseology of the sections of the treaty dealing with Upper Silesia. At the outset the committee had found itself faced with two sets of documents. The first document, namely, the armistice terms presented to the Germans, contained no specific mention of Upper Silesia. The second series of documents including the Treaty of Versailles, set up the Plebiscite Commission in Upper Silesia, whose duty it was to administer the country, to hold a plebiscite, and to report the result to the Allies. Other provisions related to the guarantees and to making provision for what was to happen in the event of the plebiscite giving Upper Silesia mainly to Poland or Germany respectively. The commission, after full consideration, had decided against taking the plebiscite vote en bloc, and in favour of a vote by communes. 5 With regard to the guarantees, in the case of the products of the mines, M. Fromageot quoted article go of the Treaty of Versailles, and pointed out that Poland, unlike other Allied countries, cannot liquidate the property of Germans in Upper Silesia without compensation, but must reimburse the owners of that property the value thereof.

All through the texts of the various documents the Experts' Committee had found the idea of a partition of Upper Silesia, the highly improbable event of an unanimous vote of the population being ruled out as unthinkable. For example, article 88 of the treaty indicates the lines of a possible partition while in the annex to section VIII there are several references to a division of the territory and a vote by communes. The principle of the voting by communes is still more confirmed when other parts of the Treaty of Versailles are considered. A notable example is the case of the plebiscite to be held in Schleswig.6 There, provision is made for a vote en bloc in the districts situated nearest to Denmark, while in the remaining districts, namely, those nearest to Germany, the vote is to be by communes (compare article 109 of the Treaty of Versailles). This Schleswig formula was reproduced in various other cases including the plebiscites in Upper Silesia and in Austria. Various other considerations and stipulations in section 88 [? VIII] of the treaty all combine to indicate that the intention of the framers of the treaty was that the division of Upper Silesia should be determined by a vote of the communes and should accordingly reflect the wishes of the local inhabitants. On the other hand, it had been urged with considerable force that if no other consideration but the wishes of the inhabitants was to be taken into account, an absurd and impossible result must necessarily ensue, that regard must be accordingly

⁵ This decision had been taken by the Commission appointed at the Paris Peace Conference to consider the eastern frontiers of Germany. Its report had been discussed by the Council of Four on June 11, 1919.

⁶ For documents relating to this plebiscite, see Vol. X, Chap. VI.

⁷ For the question of the vote by communes in the Klagenfurt plebiscite, see S. Wambaugh, *Plebiscites since the World War* (Washington, 1933), vol. i, pp. 177, 180, and 188.

had to a very substantial extent to economic and geographical considerations, and further that attention must be paid to these blocks of population of one nationality embedded in the matrix of an alien population. In these cases territories should not be separated from one another without very good cause and this was a consideration which the Allied experts had felt was of great importance. For these reasons the experts had unanimously adopted the following conclusions which of course only represented the point of view of the legal interpretation of the treaty:—

- 1. In the absence of an unanimous vote of all the inhabitants, either for Poland or for Germany, the plebiscite cannot result in the allocation of the territory en bloc, and therefore the voting in the territory as a whole need not be considered from the point of view of comparing the aggregate German vote with the aggregate Polish vote.
- 2. The allocation of the different parts of the territory must be based primarily on the wishes of the inhabitants expressed by communes: geographical and economic considerations must be taken into account for making the necessary corrections in the results, where the results founded exclusively on the wishes of the inhabitants are in practice incapable of realisation in any particular locality.

Geographical reasons exclude the erection of 'enclaves.'

Economic reasons call for an investigation, wherever necessary, of the question whether there are groups of population where economic interests are inseparable ('solidaires').

3. No account need be taken of administrative divisions other than communes.

M. Briand enquired whether it would be more convenient for the French expert to state the French point of view or for the conference to hear Sir Cecil Hurst.

MR. LLOYD GEORGE suggested that Sir Cecil Hurst should be heard at once. This, however, did not mean that the British delegates in any way challenged M. Fromageot's statement of the legal position. That statement had been given in M. Fromageot's usual lucid and clear manner. It would be a very great advantage if the experts could have submitted to the conference a complete map. While again emphasising the fact that the British delegates raised no question on the legal aspect of the case, he (Mr. Lloyd George) did not of course know whether the same consideration applied to the other Allied delegations.

COLONEL HARVEY, SIGNOR BONOMI and BARON HAYASHI all stated that they were ready to accept the legal explanation given by M. Fromageot.

Sir Cecil Hurst then made a statement, the verbatim shorthand note of which was as follows:—

SIR CECIL HURST: There is nothing to add, from the juridical point of view, to the explanation that M. Fromageot has given, but it may be convenient, in view of the difficult task with which the Supreme Council is faced, if I just

mention one or two facts about which there is no dispute, because it may assist the ready understanding of the whole problem.

Upper Silesia, as you will remember, was at the extreme south-eastern frontier of Germany. It was an area about the same in population in superfic[i]es as Wales. It contained a population of a little over 2,000,000, of whom 1,220,000 were entitled, under the terms laid down in the treaty and the decision of the High Commission, to take part in the plebiscite as voters, and of whom in fact 1,186,000 did take part and give votes which were counted as good. The treaty decided that the plebiscite was to be determined by communes. There are 1,522 communes in the territory of Upper Silesia, and the average population of a commune is a little over 800. Of these 1,552 [sic] communes, 678 voted in favour of Poland and 844 voted in favour of Germany. That is, speaking broadly, 13/30ths of the communes voted for Poland and 17/30ths voted for Germany. Of the total votes cast, 469,000 were cast in favour of Poland, and 707,000 in favour of Germany. That is, speaking again very broadly, 4/11ths of the voters voted in favour of Poland, and 7/11ths voted in favour of Germany.

The cause of the very difficult problem with which the Supreme Council is faced is due to the fact that German industry and capital and intelligence have created an industrial area which is situated not in the centre of this region or on the western side of it, but is situated on the extreme eastern border of the territory of Upper Silesia, and, quite apart from all the subjects upon which the Experts' Committee has not been able to agree, there is, I think, no difference of opinion about the fact that this industrial area is much denser in population than the generality of the territory of Upper Silesia, and that in the centre of this area at any rate the population was predominantly German. From the explanation which M. Fromageot has already given of the legal principles which must be applied if the decision is to be in conformity with the treaty, it is clear that a great German enclave on the borders of Upper Silesia must be avoided, and therefore it is clear, when the members of the Supreme Council come to consider a map of the district, that there must be some Polish territory which must go with the German kernel at the centre.

Now may I briefly explain the point of view which the British delegation had in laying before the Experts' Committee the line which they suggested. The western portion of the territory of Upper Silesia is to a very great extent German, the communes voted German, and there was an agreement arrived at without difficulty in the committee that the great area to the west—which on the map I see lying in front of M. Loucheur⁸ is coloured blue—must necessarily be attributed to Germany. In the centre of the eastern side of that blue area there is a large town named Kosel, and in the neighbourhood of that town you will find certain communes lying in a territory which is thinly inhabited, where there was a German majority.

(At this point a map was produced, which Sir Cecil Hurst explained to Mr. Lloyd George.)

* French Minister for the Liberated Regions and Reparations.

There is the town of Kosel, and the dark-coloured area is German communes lying to the east of the Oder, stretching out towards the east. German communes stretch as far as the line roughly drawn there, and then comes a band of communes which have voted Polish; then you reach the margin of the industrial area, and on the western side of it lies the great town of Gleiwitz. Gleiwitz is a town which had a very large population: there were over 30,000 voters in Gleiwitz, and the German majority was very large. If I may give you the figures, they are exactly as follows. There were three communes, Gleiwitz, Eliguth-Zabrze and Schönwald, which contained 34,700 German voters and 9,017 Polish voters, showing a German majority of over 25,000. The intervening territory, if one made a very narrow corridor through that territory in order to avoid making Gleiwitz into an enclave, would be found to contain only eleven Polish communes, with a Polish majority between them of 1,807, a figure which is very small as compared with the great German majority in Gleiwitz. On beyond Gleiwitz, proceeding again towards the east, one reaches the centre of this great industrial area of Upper Silesia. and in the centre will be found a bloc of some sixteen German communes, most, if not all of which are populous towns practically contiguous. These sixteen German communes contain between them 160,000 German voters and 79,000 Polish voters, or speaking precisely a German majority of 80,820. But inside the little bloc formed by these sixteen German communes there are two small Polish islands, one of them containing six communes which voted Polish, with Polish majorities aggregating 8,403, the second containing two communes with Polish majorities amounting to 1,284. These two Polish islands, therefore, together form a Polish majority of 0.687. But taking the central area as a bloc, the sixteen communes that I have mentioned and the eight Polish communes together, it constitutes at the very heart of this industrial area a German bloc with German majorities of a little over 70,000 or 71,000. The British point of view was that this great area, which is predominantly German, should be prevented from forming an enclave by allocating with it a certain amount of the intervening territory between this area and the German communes to the west. The extent of the intervening territory which must in this way be attributed to Germany must be governed by two factors: one is communications, and the second is that all parties are agreed that whatever frontier is determined it must be what we should call in English a 'workable' frontier, a frontier that will stand the test of the practical difficulties of administration. You cannot have a frontier in which there are too many sinuosities. The area which I have mentioned contains the portion of the industrial area where the trade is most active, and the line that was put forward by the British was put forward upon the supposition that the trade between this area and Germany would necessitate all the three lines of railway which pass westwards from this industrial area, and therefore the connecting territorial link between this area and Germany must include those three lines of railway. The net result would be a territory containing about 177 communes containing Polish majorities of 23,991, as compared with the 70,000 German majority in the heart of this industrial region.

On the figures, therefore, the British delegation thought that there was a good case for allocating the heart of the industrial area to Germany, because the sacrifice of Polish majorities which would aggregate 34,000—that is to say, 23,000 [sic] in the area west of Gleiwitz, 9,000 in the Polish islands and 660 in the two little communes separating Gleiwitz and the central bloc—would enable the German majorities of 106,000 to be allocated to Germany. The reverse process—that is to say, if these great German communes in the centre of the industrial area were attributed to Poland—would mean the sacrifice, according to the British view, of a majority as compared with a minority.

May I next mention the principle which M. Fromageot indicated as the fourth of the agreed legal principles, that where the economic interests of certain communes were interdependent or were indivisible, it was necessary that those communes should go together. This is a very striking map of Sir Harold Stuart's (producing). This is the industrial area, and if you will look at it you will see that in reality it is almost continuously a town area. Here is Tarnowitz in the north, Gleiwitz in the west, and there is Myslowitz in the east. That is a great big area which contains the most dense portion of the industrial population. The area that I have described as the central German bloc lies down here, and when you consider the way in which the towns are practically contiguous, that is to say, the habitations appear almost to reach one another, it becomes clear that it would be very difficult to draw a satisfactory line which would divide these communes one from the other. Apart from the actual contiguity of populations there are all the economic questions of supplies, of the dwellers in one area working in another area, and the question of supplies of water, supplies of power, and so on. It was, I think, common ground between all the members of the Experts' Committee that some of these communes at the least must be joined together. The question which has divided the Experts' Committee and upon which they have been unable to make recommendations, is as to the extent to which the communes must be grouped. The British view was that the better basis would be to bring in a very large area stretching up to Tarnowitz on the north and coming down nearly to Myslowitz on the south-east, and it was in this way that the British delegation arrived at a unit which became known as the 'industrial triangle,' The precise method by which these lines were arrived at was not examined at length in the committee, partly because time did not allow it, and partly because the experts on either side were confident that their own view was the right one. But the principle that the British delegation wish to put forward is that the heart of this area must, in accordance with the treaty, be allocated to Germany, that the extent to which the communes surrounding it should go with that central area is a matter upon which the experts on either side must, if possible, agree, and that in this way it will be found, according to the

⁹ Sir Harold Stuart, formerly British member of the Inter-Allied Rhineland High Commission, had succeeded Col. Percival as British representative on the Inter-Allied Administrative and Plebiscite Commission in Upper Silesia and had taken up his duties on June 4, 1921.

views of the British delegation, that a unit will be established which is very largely in accord with what we have known in our discussions as the 'industrial triangle.'

On the rest of the frontier to be laid down in Upper Silesia there was very little, if any, disagreement between the delegations. On the frontier from Gleiwitz stretching south-west towards Ratibor and so down to Oderberg there was practically no disagreement. On the frontier in the north there was in the same way practical identity of view without serious divergence. The criticisms, of course, will no doubt be brought to the notice of the members of the Supreme Council, and I do not know whether it will be interesting to hear the answer that we have considered the best to the criticism that was made by the French delegation, which was that the British line only attributed 30 per cent. of the total Polish voters to Poland. That is due to the fact that the moment you adopt the commune as the basis of the vote you will find that it is necessary to ignore, for the purposes of the result, the minorities in each commune, and it so happens that a very large proportion of the Polish voters in Upper Silesia are to be found in communes where they are in a minority. I have already mentioned that there is a German bloc, sixteen populous communes, in the centre of this area. That bloc of sixteen communes contained Polish minorities of no less than 90,832. That accounts for 19 per cent. of the Polish voters in Upper Silesia. This great western bloc, which was marked blue on M. Loucheur's map, an area which all parties unanimously agreed must go to Germany, contained Polish voters aggregating 58,702, that is, 12 per cent. of the Polish voters of Upper Silesia. Those two units alone account for 31 per cent. of the Polish voters. They are all to be found in the minorities in the communes in those two areas. The rest of the 60 per cent. of the Polish voters whom we would give to Germany are accounted for as to 21 per cent. by the difficulty of separating these communes in the industrial area and the necessity of giving some central area to Germany in order to constitute the territorial connection between the industrial area and the great German communes to the west. Twenty-one per cent. of the Polish voters are to be found in the communes which voted Polish in the 'industrial triangle'; 9 per cent, are to be found in the Polish communes in the central area. That is 30 per cent. As a criticism it is very striking; it illustrates the extraordinary difficulty with which the Supreme Council are faced in finding a satisfactory solution of the Upper Silesian problem. I have no doubt that both parties wished to find the best line possible, but, striking though the French criticism is of the British line, I do not think that it is more striking than the criticism of the French line, which is that the French line exactly reverses the result of the voting; whereas 7/11ths of the population of Upper Silesia vote in favour of Germany, the French line gives 7/11ths to Poland.

M. LOUCHEUR remarked that without wishing to enter into any detailed questions at the moment he desired to know whether Sir Cecil Hurst could give any satisfactory answer to the following questions: Under the British scheme apparently 155,000 Poles would remain Polish, while 345,000 Poles

would become German. Again also under the British scheme 607,000 Germans would remain German, while only 80,000 Germans would become Poles. For purposes of comparison, the corresponding figures of the French scheme would give [? the following result:] 373,000 Poles would remain Poles, 106,000 Poles would become German; 366,000 Germans would remain Germans and 345,000 Germans would become Poles.

In other words, under the British scheme 2/11ths of the Polish population would remain Polish, while under the French scheme the fraction would be 7/11ths. Similarly, under the British scheme 9/11ths of the Polish population would become German, whereas under the French scheme only 4/11ths of the Poles would become Germanised.

SIR CECIL HURST stated that he must have time to consider the figures, but would be prepared to give a reply later.

(The conference adjourned for tea at 4.50 p.m.)

M. Briand remarked that if the conference agreed he would now call upon M. Laroche¹⁰ to set forth the French point of view.

M. LAROCHE stated that the Treaty of Versailles laid down that the plebiscite should be held by communes, and that the results should be examined and determined by communes. There had been no differences of opinion among the experts as regards this principle. In conformity with this principle the French delegation, when attempting to define the proposal for a frontier, had considered in the first place a map constructed in accordance with the results of the plebiscite by communes.

When one seeks to apply this principle one ought simply to regard each commune by itself according to the vote of the majority in that commune without taking account of the importance of the minority vote.

The first examination of a map drawn up on these principles shows in the west a German mass in which are embedded some few Polish communes: in the east one finds a Polish mass in which are embedded some German communes, the latter important but not numerous. Adjoining these two zones there is a region where the population is very mixed.

Such is the basis on which the final results ought to rest, but immediately numerous difficulties present themselves. The German bloc situated in the west can be readily disposed of because the Polish islands are of little importance; the difficulties arise only in the eastern region. If one could be compelled to consider only the communes by themselves according to the vote without taking account of their individual importance or of the density of the population, a solution would be quickly found. But the French delegation could not assent to leaving to the Poles a very great number of Germans.

It is in the application of these principles that a difference in the point of view of the British and French delegations arises. To the geographical principle, which demands that sovereign enclaves should not be left in an

¹⁰ Assistant Director of Political Affairs in the French Ministry of Foreign Affairs.

alien territory, must be added economic considerations; does the economic situation of a certain locality, constituting an ethnical island, require or forbid one to assign this locality to the district which surrounds it, or to attach it to the district where its nationals are in a majority?

In accordance with these principles the French delegation has attempted to find a solution at once just and rational. For example, it considers that it would not be unreasonable to attach Tost to Germany; this attachment could be made without very great sacrifice on the part of Poland, because the majorities in the Polish communes in the neighbourhood are small, and in this way it is possible to increase the number of Germans assigned to Germany.

On the other hand, the French delegation is not disposed to assign to Germany, as the British delegation proposes, the region where one finds German islands in the industrial basin. The controversy which has arisen between the two delegations shows that they are in disagreement as to the method which ought to be applied to the examination and interpretation of the economic data which permeate all the evidence when one discusses the allocation of these islands. The French delegation starts from the principle that there is ground for applying these economic considerations to such or such a locality taken independently and studied in relation to the rest of the industrial region; but thinks that one cannot define a district in an arbitrary manner in advance, and declares that it constitutes a chief point so as to base on this system the economic considerations to be faced.¹¹

Why is it affirmed that the region called by the British delegation 'the industrial triangle' forms one whole? Certainly, the eastern portion of Upper Silesia is not homogeneous like the western portion. But if one examines the so-called 'industrial triangle' one finds that this region is not in itself homogeneous, that it is composed of a small number of large towns with German majorities surrounded by great Polish communes, very important also from the economic point of view. There is not in this region a German bloc, as has sometimes been represented, but a series of German islands in a Polish district. In order that the spirit of the Treaty of Versailles should be respected, it is necessary to examine these islands one by one individually and not to declare a priori that they are united among themselves and bound up in an indissoluble manner with the neighbouring territory.

In truth, if one investigates the reasons by which the British delegation has arrived at its conclusions, one can readily see that the economic considerations have not been the only guiding considerations. In effect, from a point of view purely economic, one can affirm the existence in the east of Upper Silesia of a region which owes to its underground richness a great number of industries; in the first place, there is the mining industry; then, as a consequence, there are the various metal industries, the finishing industries, the chemical industries, &c. The development commenced in the north. It has been particularly prosperous in what the British delegation calls 'the industrial triangle,' but for a considerable time it has tended to develop towards

11 This sentence is printed as in the original.

the south, and this movement should become more and more important in proportion as the beds in the north are exhausted. It is not true to say that the industrial basis of Upper Silesia is limited to the triangle. It extends towards the north, and particularly towards the south. After all, it is surely true that the constitution of the industrial triangle is unnatural, because to-day the British delegation no longer defines it in the same way that Colonel Percival defined it.¹² The industrial triangle constitutes then a quite arbitrary formation, first, because it sacrifices to certain German towns an appreciable number of great Polish communes, and then because it cuts off from the industrial basin, as it were, a district said to be indivisible.

The idea of indivisibility, as held by the British delegation, seems to take account above all of material circumstances of a topographical nature, and not of strictly economic reasons. Certainly it is peculiarly difficult to trace a frontier across a district with a very dense population and of considerable activity; this could not be done without tracing a line between houses, mines, workshops, without crossing tramways, railways, aqueducts and lines of electrical distribution, &c. But all this is the product of human labour; man can rectify and overcome the difficulties which result from this confused system of laying out a frontier. But, however grave may be the difficulties inherent in this situation, what kind of arguments can be held sufficient to justify the sacrifice of what the Treaty of Versailles puts in the first place, namely, the vote of the inhabitants?

The constant effort of the authors of the Treaty of Peace was to liberate oppressed peoples. In no direction is this effort more justifiable than in the case of Upper Silesia. For more than six centuries this country has been separated from Poland; for nearly two centuries it has been subjected to Prussia, and one knows what such subjection involves to national sentiment. But one finds a great number of the inhabitants of Upper Silesia, called upon to say as to their future, have pronounced, after a lapse of six centuries, that their country is still Poland. This expression of their wishes, which represents a remarkable effort at liberation, is truly the answer to the enquiry which the Treaty of Peace instituted into the nationality of the inhabitants, to be able, with full knowledge, to appreciate what value should be placed on the German claims to Upper Silesia. The vote of the inhabitants constitutes truly the essential element of which the Powers ought to take account. All else is subsidiary. The British plan reverses the facts of the problem and puts what is subsidiary in front of what is essential.

On the other hand, since the results of the plebiscite and the economical considerations did not allow us to assign all the Polish communes to Poland any more than all the German communes to Germany, it is very necessary to take account of what one should give to each of them so as to reach a solution as equitable as possible.

¹² The reference appears to be to the definition of this area in the majority report of the Plebiscite Commission of April 29; see No. 81, n. 8; the text of this report is printed in Wambaugh, op. cit., vol. ii, pp. 251-7.



Admittedly, the numerical results on which the French scheme is based are not perfect, but the results of the British scheme are even less satisfactory.

The British delegation argues as follows: In the industrial region there are important Germans [sic] towns: to these towns there should be added the Polish region which surrounds them; the whole of this district, having a German majority, should be assigned to Germany, and, as the district is separated from the purely German part of Upper Silesia by a Polish zone, there should be also cut off from the latter a very large corridor which should be granted to Germany. In this way, so as to avoid sacrificing to Poland the German majority of 60,000 voters which are found in the industrial triangle, one sacrifices to Germany the Polish majority of 24,000 voters found in the corridor. This argument seems even more unsound if one takes account of the fact that the Polish majority of 24,000 voters which is sacrificed to Germany is only in reality sacrificed so as to give Gleiwitz to Germany. Gleiwitz, in truth, with its majority of 25,000 Germans, is only attached in an arbitrary fashion to the other towns of the so-called triangle, in which are a number of important Polish communes.

The French delegation has been criticised for contemplating an indivisible zone greater than the triangle, and in conforming to the treaty which favours the reduction to the greatest possible extent of indivisible zones.

The French delegation has not defined an indivisible zone; the Treaty of Peace in effect has not spoken of an indivisible zone; it only speaks of the economic and geographical situation of the localities. The French delegation considers that it is necessary to examine the economic bonds which can bind up among themselves the districts which without doubt compose the mining region, and not only in a definite district cut off from this region; it is only when one appreciates exactly the value of the economic arguments that one can give an opinion upon them.

Such are the reasons which have led the French experts to assign the eastern part of Upper Silesia to Poland.

In conclusion, M. Laroche wished to insist once again on the purely arbitrary way in which the industrial triangle had been carved out; a rapid examination of the existing conditions shows that, above all one must take care to maintain the prosperity of the industries which are situated there; but one must also be anxious as regards the industries assigned to Poland. For example, the railway station of Ellguth, which belongs to a district with a Polish majority, has been connected up with the industrial triangle at the risk of rendering impossible all transportation from the southern region in the direction of Poland. On the contrary, the district of Mysolwitz [Myslowitz] is assigned to Poland, but this district lives entirely by the zinc manufactories, which draw their raw material from minerals in the Tarnowitz area; but the communes in which these mineral beds are found are Polish, and have been assigned to Germany. The result is that Mysolwitz, which has voted by a majority for Germany and which will become Polish, has the risk of seeing its vital industry entirely ruined by the attribution to Germany of certain Polish communes.

SIGNOR TORREFRANCA stated that the Italian delegates thought it their duty to declare the results of the plebiscite in relation to these legal, economic and geographical considerations laid down by the Treaty of Versailles. The proposed French line of division showed at once how difficult the problem of Upper Silesia was. This difficulty was very largely due to the T-shaped headland with the three towns-Kattowitz, Beuthen and Königshütte-which formed the backbone of the industrial triangle. The English and French solutions were separated from one another, but, in the view of the Italian delegates, the English solution was more in conformity with the results of the plebiscite than the French solution. The French line would give Poland more than she was entitled to, and would deprive Germany of territory to which she had a good claim as a result of the plebiscite. The British solution could be strongly supported on economic grounds. The deliberations of the experts had been terminated owing to political considerations, but he (Signor Torrefranca) felt convinced that a solution could be found if all concerned would make an effort to reach a final conclusion.

The conference agreed—

- 1. To adjourn the meeting until 11 a.m. on Tuesday, the 9th August, 1921, when statements would be made by the French, British and Italian High Commissioners for Upper Silesia respectively.
- 2. That a communication should be issued to the press to the effect that the Inter-Allied Conference had held a meeting, had heard statements by the Allied experts on the question of Upper Silesia, and had adjourned until 11 a.m. to-morrow morning, when the French, British and Italian High Commissioners for Upper Silesia would report to the conference.

(The meeting adjourned at 6 p.m.)

Hôtel Crillon, Paris, August 8, 1921.

APPENDIX TO No. 91

(A.J. 287) Report of the Committee of Experts appointed to study the Frontier to be laid down between Germany and Poland in Upper Silesia as the Result of the Plebiscite

In order to fulfil the task entrusted to it, the committee first examined the question of the interpretation from the legal point of view of the provisions of the Treaty of Peace relating to the frontier in Upper Silesia, and the principles which must, in consequence, be followed in tracing the frontier. The committee subsequently endeavoured to apply these principles in practice.

I.

From the point of view of the legal interpretation of the treaty, an examination of the preliminary discussions and of the various provisions of the treaty relating to Upper Silesia led to the following conclusions which were adopted unanimously by the committee:—

. .13

13 The remainder of § I, here omitted, is printed in extenso above (p. 613).

In accordance with the above juridical principles, the committee agreed, in view of the plebiscite results (see map showing votes by communes),¹⁴ to discard a solution based on the allocation of the territory *en bloc*, and on the consideration of the vote as a whole.

The committee examined in turn the lines prepared by the British and Italian Commissioners and by the French Commissioner in Upper Silesia, and also the lines proposed by the Italian Government. On both sides criticisms were made of the lines proposed by the commissioners in Silesia, and on both sides new lines were put forward which were intended to conform to the treaty (see the map annexed).¹⁴

The lines proposed, and the discussions to which their examination gave rise, showed that on some points the members of the committee held the same views, but on other points no agreement could be arrived at.

The committee took note of the fact that there were two considerations common to the British and French lines:—

- 1. That the result of the voting by communes showed that in the western part of Upper Silesia a region existed, the population of which had declared definitely in favour of German sovereignty; and
- 2. That in the eastern part a region existed which constituted an economic whole.

The committee agreed that in the south the frontier should start from the town of Oderberg, and run northwards along the River Oder to the southern outskirts of Ratibor.

Beyond Ratibor an examination of the annexed map shows that:—

- 1. The British line goes north-east to the south-west of Gleiwitz, and the French line follows very much the same direction, in fact, on this part of the line the discussion showed no hopeless divergence of view.
- 2. North of the mining area the two lines differ completely; but the British delegation recognises that the French line follows more exactly the result of the voting, and bases the British line on the desire to compensate Poland for the allocation to Germany of certain Polish communes in another area. On this part also of the two lines the divergence of view does not seem irreconcilable.
- 3. There remain the parts of the frontier in the area lying between the two portions described above.

The British line is based upon the opinion that the northern part of the mining area constitutes an industrial triangle which is indivisible in itself, though separable from the southern part of the same area (this triangle is marked D on the annexed map), and that the vote therein gave a large majority in favour of Germany. For this reason the British delegation allocates the whole triangle to Germany, and this, in the opinion of the British delegation, entails attaching to Germany the region to the west and north-west of the triangle, so as to ensure to the triangle the necessary means of communication.

The French line is based upon the opinion that the industrial area constitutes a whole and includes the regions of Pless and Rybnik, and that there is no justification for treating as a separate indivisible whole the area comprised in the northern zone, described by the British delegation as the industrial triangle.

14 Not annexed to filed copy.

In these circumstances, while, on the one hand, allocating to Germany a somewhat large number of Polish communes surrounding isolated German communities so as to avoid enclaves, the French delegation explains that, on the other hand, it joins the German communities of the triangle to the Polish communities of the industrial area, including Pless and Rybnik, because the former are regarded as inseparable from the latter.

The British and French lines are respectively supported by the following considerations:—

(a) British Argument

The indivisibility of the industrial triangle, as maintained by the majority of the technical experts, entails the allocation to Germany of this area, of which the majority of the inhabitants voted German, unless its allocation to Germany would necessitate the sacrifice of communes which voted Polish with majorities exceeding in the aggregate the German majorities in the triangle. As a matter of fact the creation of a territorial connection between the triangle and the German communes to the west, which would be reasonably satisfactory from the point of view of adequate railway communication, would only entail the sacrifice of about 177 communes which voted Polish, with aggregate majorities of about 24,000. This figure is much smaller than the 60,000 majority which the Germans attained in the triangle.

It is admitted that the allocation of these communes to Germany entails some sacrifice for Poland, and it is in order to meet this loss that, so far as possible, compensation is given to Poland in the north.

The French line is criticised by the British and Italian delegations upon the ground that no satisfactory proof is forthcoming to demonstrate that the industrial triangle cannot be severed from the Pless and Rybnik mining area to the south, and that, if the principles of the treaty are to be adhered to, the area to be regarded as indivisible, and allocated without regard to the results of the voting in individual communes, must be kept as small as possible.

It is also maintained that there is no justification for allocating to Germany the Polish communes in the central area lying to the west of the French line, except for the purpose of establishing a territorial connection with the German communes in the triangle. The French line allots these Polish communes to Germany, while the great German communes close by in the triangle are allotted to Poland.

Further, the adoption of the French line would almost exactly reverse the result of the voting. Whereas seven-elevenths of the population of the plebiscite area voted for Germany, seven-elevenths are allotted to Poland.

In the total area allotted to Poland the Poles only just number more than half the population (52 per cent.), while in the area allotted to Germany, the Germans number 77 per cent. Of the total number who voted for Poland in Upper Silesia, nearly 80 per cent. are included in the area allotted to her, whereas of the total number who voted for Germany only 50 per cent. are included in the area allotted to her. The plebiscite provisions in the Treaty of Versailles contain no stipulation which justifies the adoption of one standard for the Poles and another for the Germans.

(b) French Argument

A study of the frontier line in Upper Silesia must be dominated by the necessity of taking into account first of all the wishes of the inhabitants, but, in order to

interpret these wishes correctly, it is necessary to bear in mind the circumstances in which the plebiscite was decided on and its purpose.

The authors of the Treaty of Versailles, when framing the provisions concerning Upper Silesia, undoubtedly had in mind its allocation to Poland. The 'Conditions of Peace' handed to Germany on the 7th May, 1919, provided simply and purely for such transfer. When these clauses were modified by the institution of a plebiscite, the desire was to facilitate the acceptance by Germany of the allocation of all or part of Upper Silesia to Poland by confronting her with a wish formally expressed by the inhabitants. This view was inspired by the principle of the liberation of peoples which was affirmed by the Allied victory and which shaped the territorial clauses of the various treaties of peace. Throughout, the liberation of oppressed nationalities was kept in view; when the nationalities were intermingled, the frontiers were drawn with the primary purpose of withdrawing the oppressed from the oppressors, the oppressed race representing the indigenous elements of the people. This is particularly true of Upper Silesia. The Polish population there has preserved a national consciousness so intense that it has been able for many centuries to maintain itself against foreign domination. The wishes of this population must be doubly sacred.

Nevertheless, the frontier cannot follow exactly the ethnographical map of the voting because of the intermingling of the races, and therefore, as laid down in the treaty, geographical and economic considerations must be brought into play as a second element, on the condition, however, that it must never be forgotten that the wishes of the population held [? hold] the foremost place in the elements to be taken into account. Applying these principles, the French delegation notes that an examination of the map showing the voting of the communes of Upper Silesia, as laid down in the treaty, indicates that in the west, in the area adjacent to Germany, there is an almost compact mass of German communes, whereas the eastern part adjacent to Poland is occupied by a mass of Polish communes. The purpose has therefore been to lay down a line separating these two masses, so far as possible only leaving in German territory Polish communes which were isolated from the others by a band of German communes, and in the same way attaching to Germany various isolated German units separated from the German bloc by Polish communes of small importance, and in which the German minority is in the aggregate very strong.

On the other hand, it has not seemed possible to separate from the Polish mass which surrounds it on every side, the isolated German units of the industrial area. These isolated units cannot be attached to Germany without disorganising their economic life, for they are part and parcel of the industrial area of Upper Silesia. If one sets out to attach them to Germany one is obliged (1) to attach to Germany at the same time other areas whose life is linked up with some isolated German units, and (2) in consequence, to attach to them still further Polish territories, in order to ensure communications between the isolated units and Germany. One is led on in this way so to encroach on the Polish mass that one arrives at a solution such as that proposed by the British delegation which only allocates to Poland 137,347 Polish voters out of 479,000, i.e., less than 50 per cent. of the Poles of Upper Silesia who by their votes indicated a wish to be attached to Poland. Furthermore, on the pretext of ensuring the life of an industrial area which is arbitrarily carved out, Poland is only left with areas equally arbitrarily carved out and deprived of the necessary elements of their economic life.

The French delegation considers that if economic considerations are brought in,

in order to correct the frontier line, one must not be limited to an examination of the single case of the area called the 'industrial triangle,' the alleged indivisibility of which is only based really on topographical relations (density of the population, tramways, electric power stations, &c.), i.e., on human creations which can always be modified; moreover, it is purely arbitrary, as Colonel Percival defined the triangle¹⁵ as something different from that which is so defined by the British delegation.

The industrial region of Upper Silesia must be considered as a whole. The industrial basin consists of the whole area in which the exploitation of the mineral wealth has caused the establishment and development of the industry and has imposed on the country an industrial character in substitution for an agricultural character. The industrial basin extends both to the north and to the south well beyond the industrial triangle as artificially formulated, and is continually developing to the south.

The isolated German units, as also the other places in the basin, extend their economic relations beyond the limits of the triangle. On the other hand, in the triangle itself important centres have no interdependence. Thus Gleiwitz and Esttowitz are not interdependent, but are each closely connected with areas outside the triangle (Gleiwitz with Reiskretacham [Peiskretscham] and Laband, Kattemty with the Pless area). If, therefore, in accordance with the treaty, one must bring into account the geographical situation of the localities (and not an area arbitrarily declared to be indivisible) the situation must be examined in respect of each isolated unit as regards the whole industrial area.

The French delegation, faced with the British theory of the indivisibility of the triangle, has not found it possible to examine the feasibility of detaching the isolated German communities from the Polish mass which surrounds them. It considers that in the absence of a special study of the isolated German communities, the whole mining basin can only follow the fate of the Polish majority in which it is embedded.

The French delegation has limited itself to laying down a line as much in accord as possible with the results indicated by communes in the ethnographic map. Anxious at the same time to reduce to the minimum the number of Germans comprised in the Polish zone, the delegation has examined, one by one, the isolated communities with German majorities outside the industrial area. To enable these isolated communities to be attached to Germany, to facilitate their life and their communications with areas which are really German, the French line allocates to Germany the Polish mass which makes a salient towards Oppeln, and this without concealing the risk run by uniting to Germany the Polish population whose patriotic ardour was shown in the course of the recent insurrection. The French delegation, on the other hand, has pushed its desire not to include within the Polish borders more than the minimum number of German inhabitants, so as to respect the balance of votes in the plebiscite, so far as to leave in German territory the Lublinitz area which the British line gave to Poland, and which has an indubitable importance as regards railway connection between Upper Silesia and Posnania.

One is in this way led up to a line giving Poland a territory in which the majority of the population is Polish and will find its national aspirations satisfied (373,761 voting Polish against 341,261 voting German). In the territory allocated to Germany 366,344 voting German remain German in accordance with their desires and despite the presence among them of a minority of 105,598 who voted Polish.

15 Cf. n. 12 above.

This result, if regarded as a whole, leaves to Germany the majority of those who voted German (366,344 out of 707,605) whereas the British proposal gives Poland less than a third of those who voted Polish (137,247 out of 479,359).

To reach a solution giving Germany a larger proportion of those who voted German, it would be necessary to enter into a study of the isolated German communities and their relations with the surrounding Polish areas, a study which the views of the British delegation on the alleged indivisibility of the industrial triangle constituted by it rendered impossible in the committee.

The technical experts, to whom certain questions concerning the indivisibility of the industrial triangle were referred have suggested that, if for political reasons it became essential to consider the division of the triangle, it would be necessary:—

- 1. To fix the frontier so that, in each part of the basin so separated, the conditions necessary for its existence and development should be realised; and
- 2. To assure by creating some kind of technical organisation the economic unity of the industrial basin for a period sufficient to allow the two parts to become independent of each other, and to ensure that the establishment of a political frontier should not create difficulties which might summarily arrest or handicap the life of the industry.

This suggestion was not examined by the committee, by reason of the divergence of view which developed, as explained above.

To conclude, the work of the Experts Committee, while indicating clearly the respective points of view of the British, French and Italian delegations, has indicated complete agreement on the legal principles to be followed in tracing the frontier, and on a certain number of points which are not without importance for the purpose of arriving at a solution, which the committee, though unable itself to achieve, hopes that it may have facilitated.

August 6, 1921.

No. 92

I.C.P. 202] British Secretary's Notes of an Allied Conference held at the Quai d'Orsay (Salle d'Horloge), Paris, on Tuesday, August 9, 1921, at 11 a.m.

PRESENT: United States of America: Colonel the Hon. G. Harvey, Ambassador in London; Political and Economic Experts, Mr. Butler Wright, Mr. Logan, junior; MILITARY, NAVAL AND AIR EXPERT, General Allen; SECRETARY, Mr. Lane.

British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister; The Most Hon. the Marquess Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; Political and Economic Experts, Sir H. Stuart, Sir C. Hurst, Mr. Vansittart, Mr. Waterlow, Sir E. Grigg, Major Clarke; Military, Naval and air experts, Major-General the Hon. Sir C. J. Sackville-West, Colonel Twiss; SECRETARIES, Sir M. Hankey, Mr. Wicks.

France: M. Briand, President of the Council (in the Chair); M. Loucheur; M. Berthelot, Secretary-General of the Foreign Office; POLITICAL AND ECONOMIC EXPERTS, General Le Rond, M. Laroche, M. Fromageot; MILITARY, NAVAL AND AIR EXPERTS, Marshal Foch, General Weygand;

SECRETARIES, M. Massigli (Secretary-General), M. Brugère, M. Bressy, M. Lagarde.

Italy: Signor Bonomi, President of the Council; Marquis della Torretta, Minister for Foreign Affairs; Political and Economic Experts, General de Marinis, Signor Torrefranca; SECRETARIES, Signor Galli, Signor Brambilla, Count Vanutelli Rey, Signor Garbasso, Signor Valentino, Signor Guariglia.

Japan: Viscount Ishii, Ambassador in Paris; Baron Hayashi, Ambassador in London; Political and Economic experts, Mr. Matsuda, Mr. Debuchi; Secretaries, Mr. Kato, Mr. Yoshizawa.

INTERPRETER: M. Camerlynck.

Upper Silesia

M. Briand opened the meeting by stating that it was proposed to hear the three commissioners for Upper Silesia, and therefore, if there was no objection, he proposed to call on General Le Rond¹ to address the council.

GENERAL LE ROND said that before beginning he desired to express his scruples at addressing the Supreme Council on a point upon which he was not in agreement with his colleagues. So strongly was he attached to the principle of joint responsibility that he desired it to be clearly understood that he was speaking only on his own behalf. The question whether the forces available were sufficient for the safety of Upper Silesia was not new, it dated back from 1919 at the beginning of the sitting of the commission, when the number of effectives for each of the districts dealt with in the Treaty of Versailles was settled. The forces for Silesia were fixed by the Military Committee, but the actual numbers despatched did not, in fact, reach the figures so fixed. Moreover, the number of troops in the area was reduced in pursuance of the decisions of an inter-Allied conference in December 1919 on the forces for the various areas concerned.² When Upper Silesia was under consideration on that occasion he had insisted on the maintenance of a sufficient force, and the British Prime Minister had upheld him when he pointed out the German danger and the fact that the possibility of a Polish outbreak must not be overlooked.3 Accordingly, the effectives had not been reduced below 50 per cent. of the figure originally fixed.

The numbers were some 12,000 to 14,000 men, which was now admittedly insufficient. They were enough for ordinary purposes of police, but the commission could not take the offensive and relied mainly on the prestige of the Allies, which necessarily had its limits. The moment the decision of the Allies was made known, the forces of Upper Silesia would not be sufficient to keep order, and for that reason he had declared that reinforcements should be sent before any decision was announced. All were agreed that it would be necessary to send reinforcements, and he had informed the Conference of

¹ French representative on and President of the Inter-Allied Administrative and Plebiscite Commission in Upper Silesia.

² The reference is to the decisions of Jan. 20, 1920; see Vol. II, No. 78, minute 8 and No. 79, minute 1 and Appendix A.

³ See ibid., No. 79, minute 1.

Ambassadors accordingly.4 Owing to the volcanic temperament of the inhabitants, reinforcements must have been sent before a decision was reached in order to prevent surprise and an outbreak due to over-excitement on one side or the other. The situation for the Allies was difficult. The Polish insurrection⁵ came to an end on the 5th July; the insurgent bands had been withdrawn but not disarmed, and very little would suffice to cause a fresh outbreak. There was no doubt that the danger still existed. The country was disturbed and both sides had arms. There were many also waiting on the borders on both sides. Events which had taken place during the preceding week, endangering the officials, served to show that the situation was still serious. This was confirmed in telegrams from Oppeln, which showed that the military detachment was open to attacks which it was not in a position to repel. Such was the situation. In the hope that an early decision would be reached, troops had been maintained in sufficient numbers to cope with a general outbreak. The population numbered from 2,000,000 to 2,500,000 people, while the troops were only 17,000 men, viz., less than 11,000 rifles. At any time an eruption was possible, and they might find Polish and German armies of 100,000 men face to face. If the decision which was about to be taken by the conference produced such an outbreak, the Allied forces would be unable to cope with it. Undoubtedly a unanimous decision of the Powers would have a great moral effect, but only upon the Governments at Berlin and Warsaw, not upon the populace or upon members of the Frei Corps,6 who were moved only by popular passion. The moral weight of the Allied prestige would not suffice in such circumstances to make up for the absence of effectives which ought to be sent in advance. If they arrived later they would not produce the same effect, and the Allied Governments should not be under any illusion in this respect. The forces now in Upper Silesia could deal with local disturbances, but not with a general outbreak, particularly having regard to the fact that both the Poles and the Germans had practically unlimited reserve[s].

SIR HAROLD STUART said that he would first deal with the question of security in Upper Silesia. The situation at present was that there were in the country two parties strongly opposed and a large quantity of concealed arms. The conflicting parties had been induced to separate, and the insurrectionary forces disbanded, but the commission had not succeeded in securing the surrender of a large quantity of the arms of the insurgents. Personally, he did not anticipate any danger in carrying out the decision of the Allied Governments whom [? when] it was agreed to. The commission were unanimous early in July that, if after the withdrawal of the insurgent bands a decision as to the partition of the country had been obtained, no reinforcements would have been necessary. No proposal to send reinforcements was then made nor, indeed, was it contemplated. He was still of opinion that if the task of the commission were limited to announcing the decision of the Allied Governments and to installing Polish and German authorities

6 i.e. German irregulars.

⁵ Cf. No. 85, n. 8.

⁴ In a note of July 19 (C 14791/92/18).

followed by immediate withdrawal, the Allied forces would suffice for the purpose. There was no danger of an immediate German movement. Therein he differed from General Le Rond. The German share in the recent trouble had been a self-protection movement and did not arise until after the Polish insurrection. If, on the other hand, there were an outbreak by the Poles which was not promptly dealt with by the Allies, there would be a German movement similar to that which took place in May. General Le Rond was of opinion that a unanimous announcement by the Allied Governments would sufficiently impress the Polish and German Governments, but would not suffice to keep the respective populations in order. On the other hand, he would remind the conference that the recent insurrection had been put down entirely by influence and prestige, and by that means Korfanty had been induced to withdraw.7 General Le Rond had been marvellously successful in this respect, and he desired to compliment him upon his success. Simply by the weight of inter-Allied prestige the conflicting forces had been induced to separate and fall back and the armed bodies had disappeared.

The Germans would not resort to arms unless the Poles first began, and the Poles had no chance of success if the Allied Powers showed a firm front and a determination to carry out the decision they arrived at. He had that morning received a telegram from General Heneker⁸ to the effect that he was convinced that if the Allies acted together and acted promptly a Polish rising would have no chance of success.

He need not go into the question of what would be necessary if no decision were taken, as he understood it was the intention of the conference to come to a final decision upon the matter during the present session.

There were two points on the general question of Upper Silesia he desired to put before the meeting. On the preceding day it had been suggested that if effect were given to the argument of the British representative in the report of the Committee of Experts only 137,000 Polish voters would be included in the area assigned to Poland, or, to quote the figure more accurately as subsequently given by M. Loucheur, 155,000.9 He submitted that an argument on these lines was fallacious, and suggested by way of illustration that, supposing all the Polish voters in Upper Silesia were evenly distributed throughout the country amounting to a 40 per cent. minority in every commune, no Poles at all would be assigned to Poland, nor would it have been claimed that they should be assigned. To take a less extreme case, supposing that the Polish majorities had been confined to Pless and Rybnik and there had been German majorities in all remaining communes, there would have been only 100,000 Poles assigned to Poland; all the rest would have gone to Germany. It was therefore clear that the argument rested on a logical fallacy.

⁷ M. Korfanty, formerly head of the Polish Plebiscite Committee in Upper Silesia, had been leader of the Polish insurgents.

⁸ Maj.-Gen. Sir William Heneker, commander of the six British battalions sent to Upper Silesia at the end of May and beginning of June 1921, was the chief liaison officer between the Plebiscite Commission and the German self-defence forces (see No. 89, nn. 3 and 5).

⁹ See No. 91, p. 625 and p. 617 respectively.

Secondly, the Plebiscite Commission had experienced difficulty owing to a fundamental difference of opinion which he believed still continued. It was maintained by the president of the commission that all votes did not necessarily have the same value. To this he himself disagreed but the president maintained that the value of the votes depended upon the locality and the nature of employment of the voter; that the vote of an agricultural peasant was worth more than that of an artisan dwelling in a town; that the vote of a permanent inhabitant was worth more than the vote of one who was not permanent. On the other hand, the commission had no means of telling how the classes had voted except as between town and country, and any evaluation of votes in the manner suggested would be sheer guesswork. In his opinion, it would assist a decision if the experts were instructed that the provisions of the treaty, by allowing certain classes of people to vote, implied that all votes were of the same value.

GENERAL DE MARINIS¹⁰ said that he had little to add to what had already been stated by General Le Rond as regards the troops available and the manner of utilising them. He was in agreement with the conclusions come to at the meeting between the three commissioners on the preceding day when it had been agreed that the number of troops was insufficient to maintain order. Even in ordinary circumstances they would hardly suffice, but, in view of the dissolution of the plebiscite police, they were not nearly enough. Such was the situation at present. If a decision were taken and became known, it was difficult to prophesy what would happen, but, in the light of his experience and from information he had received during the last three days he was the last of the commissioners to leave Silesia and therefore in possession of later news than his colleagues—he thought it was very likely there would be trouble and riots. He agreed that any trouble was most likely to begin with the Poles, but, if there were a German reaction, it would be much stronger than last time, and it was necessary to contemplate what would happen if the whole of Upper Silesia were to rise. He suggested that a final decision should be taken as soon as possible. Even if there were no question of an outbreak the situation was not improving. The population were tired of the Provisional Government; the press on both sides were asking for a final decision; and if the Powers were unanimous it would have a great advantage in inducing the people to respect the agreement arrived at. Before any decision were announced it must be made clear to the German and Polish Governments that the responsibility for any disorder would rest on them. While he did not claim to speak on behalf of the diplomatists, he considered that the Polish and German Governments had been behind the recent rising, and it should be made clear that the Allies would not tolerate any help from either of those Governments to an insurrectionary movement on either side. So soon as the decision were made known and given effect to, the Allied troops should be evacuated as soon as possible. The Poles and Germans should be invited to occupy their respective areas in the least

¹⁰ Italian representative on the Inter-Allied Administrative and Plebiscite Commission in Upper Silesia.

possible time. The Allied troops were not in sufficient numbers and should be withdrawn with the least possible delay. Reinforcements would have been desirable, but it did not now seem possible to send them before the decision, though no doubt the situation between the announcement and the action on it would be very delicate. It would, however, only be a question of two or three days while Polish and German regular troops were preparing to occupy the area. The commissioners had attempted to make a plan for allocating the troops in the area Oppeln-Beuthen-Kattowitz, but that was not enough. Provision must also be made for their retreat when necessary, and that might have to take place through Czechoslovakia. In short, his views might be summarised as follows:—

- 1. The decision of the conference should be taken immediately.
- 2. It was too late to send reinforcements.
- 3. The Polish and German Governments should be invited to occupy their respective areas as soon as possible after the announcement.
- 4. The Allied troops should be evacuated thereafter with the least possible delay.

It would, indeed, have been better had there been no troops in the area at all. The presence of troops invariably created a difficult situation.

MR. LLOYD GEORGE then made a statement, of which the following is a verbatim shorthand report:—

MR. LLOYD GEORGE: 'I wish to make a few general observations on the question of Upper Silesia, and I do so because I consider it to be, on the whole, the most menacing problem with which we have to deal at these conferences, and I am very anxious that it should be settled. But, however anxious the British delegates are to get rid of a temporary difficulty, they would consider that they had failed in their trust not merely to their own country, but in the trust which has been imposed by circumstances upon us, as a Supreme Council, for the peace of Europe, if, in order to patch up temporary differences amongst ourselves, we were to effect a settlement which would inevitably result in serious trouble for Europe in years to come. Therefore, I think it is better, whatever time it takes, whatever disagreements there may be amongst ourselves for some time, that we should quite boldly face this problem and endeavour to establish a peace on the eastern frontiers of Germany on a basis that would command the confidence of all reasonable men in Germany and Poland as well as throughout the world.

'There are three Powers that have been mainly concerned in the attempt to solve this problem. America has not occupied herself in the difficulties arising out of this problem until the present meeting, when we are all very delighted to see the distinguished representative of that great country present here. But she has had no troops in Silesia; she has had no experts there, and she has had no commissioner there. The same thing applies to Japan; they have no experts there, and therefore the working out of this question has been left to three of the Allied Powers—France, Italy and Great Britain. In the main the Italian experts and the British experts have taken the same view

of the right solution. There may be variations of frontier here and there, but in the main they take the same view of the best method of settling the difficulty. The French experts, on the other hand, take a totally and a fundamentally different view from that which has been reached by the British and by the Italians. It is very desirable that we should reconcile these differences, but we must not reconcile them at the expense of justice and fair play to the inhabitants of Eastern Silesia and to the Great Powers which are immediately concerned.

'Now, I should like, as one of those who were present at the Peace Conference when this plebiscitary arrangement was arrived at, to give my reasons for coming to the conclusion which the British Government has reached in respect of Upper Silesia. One of the experts yesterday—I think it was the French expert—said it was a problem of doing justice to the oppressed, of redeeming them from Prussian oppression. That is really begging the question. If a people choose to be oppressed they are entitled to their choice; that is their business; and if they elect Prussian oppression, well, we may regret it, we may despair of a human nature which is so deluded, but all the same it is for them to determine. What is Silesia? We talk of the Silesian problem. This is not the Silesian problem. One would imagine, from the way in which the controversy has been conducted, that you had a Polish province which had been wrenched from Poland by the Prussian oppressor; that the vast majority of the population had been groaning under this tyranny for centuries; that at last the dawn of liberty had broken from Versailles, and lo! a great light shone in the dark places of despotism. Well, you know that is nothing whatever to do with the facts. Silesia has not been a Polish province for 700 years. For that time it has been a German province; in fact, it has been a German province far longer than Normandy has been a French province much longer. And, so far from the population being Polish, the vast majority of the population is German. There is a population of 5,200,000 in Silesia, and out of that only 1,200,000 is Polish. Silesia is, and has been, and will continue to be, whatever we do, a German province. It is true that it was associated with Austria for a good many centuries, and that it only became a Prussian province 177 years ago. But Alsace-Lorraine was only a French province for 175 years. Lorraine was a French province for 105 years before it was torn away from France. So Silesia has been a Prussian province for longer than Alsace-Lorraine was a French province. Therefore we ought to get rid from our minds of the notion that this is a Polish province rightly struggling to be free from the oppression of the German. Silesia is a German province in population, in history for 700 years, and in Government. This was realised by the Peace Conference, so they tore out a part of Silesia and called it "Upper Silesia." But they did not even take the administrative unit of Upper Silesia. When the plebiscitary area was determined there was a part of Upper Silesia taken out. Why? Because it was so overwhelmingly German, and if it had been left in the administrative unit there was a danger that the German population of this part might just tip the balance and that Upper Silesia might vote German. So even this administrative unit was torn

up in order to create a jerrimandered province which has been known as Upper Silesia, and everybody then thought, "Well, now, this vote will be Polish," What happened? I have just been looking up the discussions that took place. It was assumed by everybody that the majority of the population in Upper Silesia was Polish, that it wanted to become Polish, and that it was only the intimidation of Germany that prevented its becoming Polish. So we put troops there, to make it quite clear that there should be no intimidation. We tore out a piece that was so solidly German that it might affect the decision in the vote. We said to Brockdorff-Rantzau: "You are wrong; you do not understand the history of Silesia as we do; you tell us that the people want to be German; we tell you, from our superior knowledge, that they want to be Polish; we know it." President Wilson especially was very emphatic upon that subject; he knew much better than Brockdorff-Rantzau what Silesia wanted. Therefore we said: "However, we are just above everything, and if the population indicate a desire to become German and to remain German. very well, we will give them that opportunity." We gave them the opportunity, in the fullest confidence that they would vote Polish. What happened? 707,000 of them voted German; 470,000 alone voted Polish; seven-elevenths voted to remain in Germany under the heel of the oppressor, according to the French expert, and four-elevenths voted for liberty and efficiency under Poland. That is how the vote worked out. What did we do then? We tore Silesia up into bits in order to have a jerrimandered area; we tore up even Upper Silesia in order to affect the vote. In spite of that, seven-elevenths voted German and four-elevenths voted Pole. That is all, and that is the position with which we are confronted. So we then say: "Well, we must tear up Upper Silesia now, we must get out all the bits that voted for Poland, and we must give them to Poland." That is not enough. We must take the parts that voted overwhelmingly German by two to one and throw them into areas which voted Polish in order to put those in Poland. That is what we are trying to do now. If anybody here thinks that the peace of Europe is going to be assured by procedure of that kind, I certainly am not one of them. I could not be responsible for what would happen. It is so obvious an attempt to manœuvre a German population out of Germany for other reasons that I am absolutely certain that in a few years it would recoil upon us; Germany would not tolerate it, and there would be trouble in that area. I do not know how the conflict would develop. The last war has shown that once a conflict begins you never know how it will develop. But it has also shown this: that the only sure guarantee of victory is that you should have a just cause for which to fight, and if we go into a great war in Europe in the future after a procedure of that kind I would not guarantee what the result would be, and I should be very sorry to see our country dragged into it. In fact, you could not drag it into it. What England did in the last war she did because she was convinced that France and Belgium were right, and that Germany was attempting to tyrannise and trample upon free peoples; and we got in the whole of the

¹¹ German Minister for Foreign Affairs in 1919 and head of the German delegation to the Paris Peace Conference.

dominions, with 1,000,000 troops, and India, with 1,250,000 troops. They are absolutely unanimous that if war is provoked by a business of this kind they cannot be expected to go into it, and they will not. Therefore that is the position with which we are confronted.

'I apologise for taking up all this time, but this is far and away the most difficult question the Allies have had to solve, and it is therefore necessary that it should be examined very carefully. Now we have decided that, inasmuch as on the whole the province has voted in favour of Germany by a considerable majority, we shall have to proceed to analyse the figures in districts. I do not challenge that. In Pless and Rybnik, which in the main are agricultural areas, the population has indicated a desire to join Poland. Therefore it is agreed amongst all the Allies that Pless and Rybnik should become Polish. I cannot help thinking that if the vote for Upper Silesia had been in favour of the Poles there would have been a little more difficulty in considering the area solution. However, there it is, and we have decided to accept it.

'Now we come to an area which is not agricultural, which is industrial. In that area the German majority is two to one. It is an economic unit; it has been developed by German initiative, German brains, and German capital. If it had not been for these qualities there would have been nothing for us to quarrel about. You have got exactly the same coal measures across the frontier in Poland, but they have not been developed in this way. You have not got the same great industries; you have some, but nothing comparable to this, and I cannot conceive upon what ground it is suggested that a province which has been German for 700 years, an area which has been created by German activity, energy and ingenuity, where the population is in the proportion of two to one German, should be bodily taken away and put into Poland. I have not yet heard an attempt to justify it, except of the very vaguest description. There have been suggestions that a peasant's vote ought to count more than an artisan's vote. When was that principle laid down? It is just the reverse of the Russian view. The Russian says the artisan's vote is to count more than the peasant's, that the peasant's is not to count. That is the Bolshevik view. But the view which is, I believe, advocated in some quarters is that you should reverse that process and say the artisan's vote is not to count, but that the peasant's vote is to determine. Well, they are equally Bolshevik arguments, and I am horrified to find them advanced by my French friends. I had no idea that they had become Bolshevik. I did not know they had taken their political philosophy from Lenin and Trotsky.¹² It fills me with dismay to see the advance of Bolshevism into the very centre of Conservatism, the Quai d'Orsay, that it should be enthroned within these sacred precincts. That is the argument, but it is an inconceivable argument. We fought in England for some time for what was called "One vote for one value." That simply meant that the artisan should have exactly the same value for his vote as the rich man. But here it is suggested that you should just take

¹² Respectively President of the Soviet Russian Council of Peoples' Commissars, and Commissar for War.

one particular class and say if the majority of them decide one way it does not matter what other classes may think. That is a perfectly indefensible proposal, and I am sure that it will not be put forward seriously, although I have heard it advanced in some rather responsible quarters. Sir Harold Stuart invited an expression of opinion from the Supreme Council upon that subject. I should not have thought it was necessary. I remember perfectly well the argument that took place about Eastern Galicia.¹³ In Eastern Galicia the proportions were reversed; two-thirds of the populations were Ruthenians and one-third Polish. But M. Paderewski,14 on behalf of the Poles, said, "But the intelligent people are Polish!" I wondered what the Ruthenians were like! "But," he said, "the Ruthenians live in the country, they are peasants; the brains of Galicia are Polish, they live in towns; that is the nerve centre which directs everything, that is the oil-well of intelligence; they are all there, and it is Polish." That was his argument. "Therefore," he said, "Eastern Galicia must be Polish." If that argument were applied to Silesia there is absolutely no doubt what would happen. The direction is German. The skilled workman is German. The whole nervous energy and most of the brains there are German. If once we were to apply that argument—but I do not; I say, "Well, each man must count for what he is, and for what God made him, and give him his vote." If the majority of the population is Polish, give it to the Poles. Whatever their state of intelligence—but you cannot judge of brains. You know the expert yesterday had a most extraordinary theory. He said that all this thing in the centre is artificial, made by man. 15 He is under the impression that the farmhouses have not been made by man. The factories have been made by man, but the pigstyes have been made by God! That seems to be his theory. He had a most extraordinary doctrine. As a matter of fact, such cultivation as there is in these areas is very fine, but it is made by the Poles. We can only take the population.

'Now I come to the suggestions which my colleague and I have been trying to work out in order to see whether we cannot get some sort of conclusion. We must take the population. I accept fully what M. Fromageot very fairly and frankly stated, that you must take into account the geographical and economic considerations. I think upon those lines we may be able to arrive at a settlement. Let us take this great industrial unit—we will not call it a "triangle," because that seems to be a term of offence; call it an "industrial unit," which is just there, in the centre; find out what population there is which surrounds it, which is attached to the industrial centre, whether it is a town or whether it is a village, so long as the population is engaged either directly or indirectly in those particular industries. I agree there is a limit to that. For instance, I understand that a very considerable number of the German miners work in the mines, but live, during the week-end, somewhere far away, in the agricultural areas of Silesia. I agree that you cannot take them into account when you begin to reckon. You must take the contiguous

¹³ See Vol. III, Chap. III, and especially, for the Polish case, No. 712, enclosure.

¹⁴ At that time, Polish Prime Minister and Minister for Foreign Affairs.

¹⁵ See M. Laroche's speech in No. 91, p. 620.

areas, the areas that are directly and intimately associated with the development of these particular mines and industries, and I suggest that we should refer this matter back to the experts, and that they should try and work out upon that basis what the industrial unit is. It might very well be that if you bring in the villages, which are really associated directly or intimately with these industrial towns in some quarters, they would go to the Poles, because I believe the villages are Polish, and the towns, in the main, are German. Very well, bring those villages in, if the villages contain people who are engaged in the industry, because that creates the unit, and do that without any reference to the fact whether it transposes a German majority into a Polish majority. We are only seeking to find out what is fair. The same thing would apply supposing you found an area where the Polish villages brought in would not alter the case. Then they must frankly remain German, but I would suggest that the experts should receive instructions to work it out upon that basis and see what the effect would be upon the total.

'I have only one final word to say, and it is this. I can see that the judgment of France upon this subject is determined very largely not by the inst[r]uctions given in the Treaty of Versailles that you are to consider population and economic and geographical considerations, but by a purely external consideration, one of immense moment to her (I am therefore not criticising it), one of security. The question of security was not one of the elements which were to determine our judgment upon the plebiscite; it was not introduced into the treaty, and therefore to introduce it at this point is to introduce an element which was not contemplated at that moment and which was not incorporated in the instructions to the commissioners. However, I am not criticising the fact that France is taking that into account; she has got her own safety to think of and she has got her own future to think of. As I repeatedly pointed out, not merely in the Supreme Council, but in England, France has been devastated twice within living memory by this very terrible enemy; she sees that Power prostrate at the present moment, but still with a population of between 60,000,000 and 70,000,000, whereas her own population is 40,000,000; and naturally she feels apprehensive. Not only do I not criticise that, but I think it is natural, and I think the Supreme Council ought to pay the deepest deference to the very natural fears of France, fears justified by recent and fresh experience. Even I remember 1871 well, although I was fairly young, 16 and there must be others here who remember it. There is a very distinguished soldier here, the most distinguished soldier in the world, who was actually engaged in that campaign.¹⁷ Therefore it is natural that France should remember these two incidents. My only answer is this. France is not adding to her security by doing something in Silesia which cannot be justified according to the rules of justice and fair-play. On the contrary, she is increasing her danger. May

¹⁶ Mr. Lloyd George was born in 1863.

¹⁷ Marshal Foch, born in 1851, had enlisted in the 4th Infantry in 1870, but the armistice was signed on Jan. 28, 1871, before he could take any active part in the fighting; see *The Memoirs of Marshal Foch*, translated by Col. T. Bentley Mott (London, 1931), p. xxvi.

I very respectfully, as one who remained in office right through the war, just say this to France. What saved France was the justice of her cause; it brought the whole world to her standard. It was a fairly near thing—at least it appeared so at one moment—but there was the fact that America, Italy, Belgium contributing her share, and the British Empire, all thronged to the standard of France because they felt that she was fighting for right. That is what saved France, and that is what will save France in the future. If her cause is a just one, which will appeal to the conscience of mankind, I do not care what the future of Germany is going to be. She may recover her strength, she may harbour designs of vengeance against France. If she attacks France wantonly, without just cause, the civilised world will rally to the flag of France as surely as it did in the past, and the destruction of Germany would be greater than it was in 1918. But if the fight comes because we are pressing too hard upon Germany the conclusions of the treaty, if we deflect our judgment by considerations of that kind, and do what is obviously unjust and unfair, if, for that reason, trouble comes, the case of France will not be so obviously just, and she will not get the same support from the world as she otherwise would. I would urge upon France that, by trying to do something in Silesia, which will not commend itself to the conscience of the world, she is not increasing her security; she is weakening it; she is imperilling her future. Therefore I say that the strength of France, the security of France, is that she will be able to say that when she was all-powerful, when she was dominant, when she had her enemy prostrate at her feet, she then did what was right and just. Then her security, I think, is above challenge.

'I apologise for taking up so much time.'

M. Briand in reply said that he was not convinced, in spite of what Mr. Lloyd George had said, that no logical case had been made out in support of the French theory, and he asked the permission of the conference to explain the French thesis because it seemed necessary that the conference should appreciate the French point of view and that it rested upon a basis of justice and fair-play. All Frenchmen would be grateful to Mr. Lloyd George for his exposition of the question of security, but it was not upon security alone that the French Government desired to base their argument. If the French case were not inspired by a sense of justice they would not be able to sustain it. In delivering his reply he would not be polemic and would not lose sight of the point of view that whatever the difficulties of the Supreme Council, it was necessary to maintain the Entente both in their own interest and the interest of the entire world. He was convinced that he could present to the conference arguments that would satisfy them on the historical points which Mr. Lloyd George had submitted with somewhat fanciful results, based upon facts slightly distorted from their proper relation. His aim was so to interpret the plebiscite that neither the Germans nor the Poles should have any justification for starting a war afterwards. He was in agreement with Mr. Lloyd George's proposal to refer back the matter to the experts with the instruction suggested. He proposed to make his own reply to Mr. Lloyd George's speech after the adjournment.

MR. LLOYD GEORGE agreed, but suggested that the experts should be instructed to proceed forthwith in order to save time, without waiting for M. Briand's statement.

M. BRIAND agreed.

MR. LLOYD GEORGE produced a draft of instructions to the experts which had been prepared (see Appendix).

This was agreed to.

MARQUIS DELLA TORRETTA stated the Italian delegates concurred in the suggestion made by Mr. Lloyd George and that when the discussion took place that afternoon the Italian delegates would explain their point of view.

BARON HAYASHI observed that the Japanese delegates were in agreement with the course proposed.

MR. LLOYD GEORGE suggested that after hearing the views of the French and Italian delegates on the general question, the conference should proceed to discuss Asia Minor.

The conference agreed—

To direct the Committee of Experts, reinforced by the addition of the High Commissioners, to re-examine the case of Upper Silesia in accordance with the instructions in the Appendix.

(The conference adjourned until 4 p.m.)

Hôtel de Crillon, Paris, August 9, 1921.

APPENDIX TO No. 92

Instruction to Experts

In view of the difficulties arising from the juxtaposition in the centre of that part of Upper Silesia, which is known as the industrial area of urban communes, which have returned large German majorities, and suburban or rural communes which have returned Polish majorities and of the necessity of reconciling this position as far as possible in accordance with the principles laid down in the treaty, the Committee of Experts, reinforced by the addition of the High Commissioners, is directed to re-examine the case and to present a report showing the communes which, for reason of a topographical and economic order, cannot be separated from the large urban communes to which reference has been made. The report should also indicate what lines of railway are necessary for the commercial existence and prosperity of this region.

No. 93

1.C.P. 203] British Secretary's Notes of an Allied Conference held at the Quai d'Orsay, Paris, on Tuesday, August 9, 1921, at 4 p.m.

PRESENT: United States of America: Colonel the Hon. G. Harvey, Ambassador in London; Political and economic expert, Mr. Butler Wright; MILITARY, NAVAL AND AIR EXPERT, General Allen; SECRETARY, Mr. Lane.

British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister; The Most Hon. the Marquess Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; Political and Economic Experts, Sir H. Stuart, Mr. Vansittart, Mr. Osborn, Sir E. Grigg; MILITARY, NAVAL AND AIR EXPERTS, Colonel Heywood, Colonel McLeod, Colonel Twiss; SECRETARIES, Sir M. Hankey, Mr. Howorth.

France: M. Briand, President of the Council (in the Chair); M. Loucheur; M. Berthelot, Secretary-General of the Foreign Office; Political and Economic experts, General Le Rond (for Upper Silesia), M. Daniélou, M. Hermite, M. Laroche; MILITARY, NAVAL AND AIR EXPERTS, Marshal Foch, General Weygand; SECRETARIES, M. Massigli (Secretary-General), M. Brugère, M. Lagarde.

Italy: Signor Bonomi, President of the Council; Marquis della Torretta, Minister for Foreign Affairs; Political and Economic Experts, General de Marinis (for Upper Silesia), Signor Terrefranca [sic]; SECRETARIES, Signor Galli, Signor Brambilla, Count Vanutelli Rey, Signor Garbasso, Signor Guariglia, Signor Belardi Ricca, Signor Gianetti, Signor Valentino.

Japan: Viscount Ishii, Ambassador in Paris; Baron Hayashi, Ambassador in London; Political and Economic Experts, Mr. Matsuda, Mr. Debuchi; SECRETARIES, Mr. Kato, Mr. Yoshizawa.

INTERPRETER: M. Camerlynck.

[1.] Upper Silesia

M. Briand said he would now call upon himself to set forth the French point of view and he would do his best to state the case as briefly as possible.

The following is a translation of the verbatim note of M. Briand's speech:—

'In the first place, Gentlemen, I desire to say that in this matter France is not solely concerned with the question of her own security. Had she been so she would have been easily led to contemplate an allocation of Upper Silesia very favourable to Poland, but this particular point of view she (France) has resolutely put on one side and has taken up the position of strict justice, and strict and loyal observance of the treaty.

'But when one speaks of the Treaty of Versailles, I think that it is not open to one to interpret the intentions of the authors of the treaty, that is to say of the Allies, so as to take one, or two, or three of its clauses on a particular topic and to separate them wholly from the general spirit which pervades the treaty.

'After the war there are conquerors and conquered, and, as a Frenchman, I say this very clearly, that my country is not one of those which wishes to slaughter the wounded on the battlefield. It is not then in [sic] a spirit of revenge, or a desire to prolong artificially the war, which underlies the French point of view, but all the same, it is a fact that after a war there are conquerors and conquered and there is no instant [? instance] in history where a Treaty of Peace having been signed, the authors of that treaty have not taken account of the circumstances of the fact. After the last war the Allies took account of

the important consideration that the preamble of the Treaty of Peace definitely established the responsibility for this terrible war. When the responsibility had been thus indicated, it was certainly not with a desire to give a privileged position: one had rather the wish to make an equitable position. In all difficult cases of interpretation, if there is any doubt, it appear[s] to me that it would be contrary to all precedents and to all sentiments of justice to interpret the doubt in the interest of those who were responsible and who were conquered. These then are the considerations of a general character which are not negligible. After the war, the Allies said "We have fought for principles". It is necessary that these should be recognised in the Treaty of Peace. There are some peoples who have been oppressed; it is necessary to relieve them. Poland has suffered for centuries; it is necessary to resuscitate her. When one resuscitates a nation, it is surely with a desire to allow that nation to live, and so strong was this desire that the Allies constituted across German soil a corridor in that part of Germany which was without any doubt at all German territory, so as to give Poland access to the sea at Danzig and enable her to breathe. This fact demonstrates the will of the Allies that Poland should be allowed to live. Was it a good thing to allow Poland to revive? That is not a question which can now be put. Poland is now living; it is necessary that she should continue to live and so, in order to lay down her frontiers, a commission has been entrusted with the examination of the problem which has weighed heavily on the Allies, that is to say, the ethnical problem, and one which seems of prime importance. In all the articles of the treaty where an effort has been made to regulate the future of peoples, throughout one finds that it is according to the wishes of the inhabitants that the frontiers ought to be laid down. It is then an ethnical consideration which governs the dispositions taken respecting the frontiers between Germany and Poland. Mr. Lloyd George has indicated to us, in a way that only he can do, his point of view of the problem of Upper Silesia. His method was so interesting that I have a scruple—that I feel it to be almost sacrilegious to lay my hand on so attractive a theory. It is certain that in these discussions with the Allies, M. Brockdorff-Rantzau has taken pains to explain that Silesia was really Germany [sic]. The Allies said on the contrary that Silesia was Polish; but since there was ground for thinking that Silesia, if she had been German, had not suffered greatly from German oppression, then after all it is a country where the inhabitants have been allowed to live. I wish to say that it is a serious mistake to say that Silesia has been German for centuries. It is not because an iniquity is borne that it ceases to be an iniquity and becomes an act of justice. Alsace-Lorraine remained German for forty-eight years, if she had been German for 200 years that is no reason for saying that she had not the right to desire to return to her own mothercountry.

'But let us pass on and learn from the Germans themselves the historical considerations which have weighed with the commission which was entrusted with the settlement of the frontiers. In the 14th edition of the great German encyclopædia, "Brockhaus," in an article on Silesia, the following passage

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occurs: "Silesia has never been an integral part of Germany, with the exception of some lordships which were transformed into fiefs of the Empire in the 14th century." That is the view of the Germans on Silesia. But there is another thing of more importance still than that to which I have just referred. If, after centuries of foreign oppression, a people maintains such strength that it continues to speak its own language with such vigour that in thriving districts it is able in a plebiscite to make an attempt to break the bonds of secular oppression, that is an argument which, far from being employed against that country, should tell in favour of its vitality, and show what good reason the Allies have to restore its national existence. After the first discussions of the treaty, the Allies agreed unanimously, having studied the ethnical questions (for I cannot believe that the members of the commissions were not surrounded with all the necessary documents) that the frontier between Germany and Poland should give the whole of Silesia to Poland. Also, with complete Allied agreement, the treaty so drafted was signified to Germany. Was there no reason for this?

'Gentlemen, this is a very serious problem, but in any case I am bound to say that on that day there was [? were] awakened in the hearts of the Polish people keen and burning hopes and there was created in their favour a powerful presumption.

'In due course Germany entered a protest: after keen discussions in the Council of Four, it was decided to have recourse to a plebiscite to settle the Silesian question. But in the letter in which the Allies announced this decision to the Germans, namely, the letter of the 19th [16th] June, 1919, this is how they commented on the matter:—

"In the district to be ceded, the majority of the population is indisputably Polish. Every German book of reference, every school-book, teaches the German child that the inhabitants are Polish in origin and speech. The Allied and Associated Powers would have been acting in complete violation of the principles which the German Government itself professes to accept had they left unregarded the Polish claims to this district."

'In these circumstances it should be solemnly declared that it is not true that Poland had not the right to be declared free according to the principles laid down by the treaty.

'Gentlemen, you will admit that we have allowed hopes to be raised in the hearts of the Polish people. Next, the vote was taken; that is a factor that it is necessary to take into account. The vote has taken place under conditions as to which the Allies were in agreement. The lawyers, the experts and the Governments all concurred in the method of voting; one contemplated the

- ¹ At a plenary session of the Paris Peace Conference on May 7, 1919; see F.R.U.S., The Paris Peace Conference 1919, vol. iii, pp. 413-20.
- ² The observations of the German delegation on the draft Treaty were sent by Count Brockdorff-Rantzau to the President of the Peace Conference on May 29; for their comments on the Upper Silesian question, see ibid., vol. vi, pp. 833-5.
 - ³ This decision was taken by the Council of Four on June 11; see ibid., p. 316.
 - 4 See ibid., p. 947.

idea of a partition; there is no doubt about the principle, that is clear from all the terms of the treaty.

'One has considered consequently that the vote should not be susceptible of the interpretation that it was to apply to the country as a whole; this was to remind those who ought to examine it and pay attention to the different interpretations. M. Fromageot has explained this very clearly.⁵ I agree entirely with Mr. Lloyd George that it would be unjust and even stupid to wish to make distinctions between the vote of the artisans and that of these peasants. No, there are some voters whose vote legally should have the same value, but when we are led to investigate the almost insuperable difficulties of this problem of the various interpretations, we are all the same obliged to correct the legal point of view by considerations of a moral nature. What are the inhabitants according to whose wishes the treaty desired that the future of Upper Silesia should be regulated? Are not they the inhabitants who reside in the country and who have lived there for the longest possible time? The annex to article 88 of the treaty allowed the out-voters to vote. The people born in the territory of Upper Silesia, and who have left it for ten, fifteen or twenty years, who have never perhaps returned to it since, they have the right to vote; but all the same, ought the vote of the out-voter who comes to deposit his vote in the ballot-box and who leaves that same evening to have the same value as the vote of the Upper Silesian who is the father of a family and who has never left the country, and who, with his wife, represents his children? The voice of this Pole, legally, is not worth more; ethnically, it bears a very heavy weight. In a case of doubt, it is also necessary to recall that the German out-voters who do not live in the country which they have left on the evening of voting, will not suffer eventually if the commune in which they voted passes under Polish sovereignty.'

MR. LLOYD GEORGE pointed out that the Poles themselves had initiated the pressure for the inclusion in the treaty of the right of the out-voters to record their votes in the plebiscite.

M. Briand said that he did not question whether it was right or not for the out-voters to vote: 'I said simply that a distinction is made between the out-voter who votes, who goes away, and who in consequence will not be exposed to a foreign domination, and the inhabitant who remains; but these are moral considerations, and I have no intention of making them weigh heavier than I have indicated.'

MR. LLOYD GEORGE said that if M. Briand attached importance to this matter, he (Mr. Lloyd George) wished to point out that Germans domiciled in Upper Silesia since 1904 had no vote. The demand for the out-voters had come from the Polish side, and had been pressed for by M. Paderewski. He had never suggested that the number of out-voters who had recorded their votes in the recent plebiscite was equivalent to the number of German residents who were deprived of the right to vote by reason of insufficiently long residential qualifications.

M. Briand then resumed: 'And then, gentlemen, when one applies the ⁵ See No. 91, pp. 612-3.

treaty and the figures of the treaty, there are, including the out-voters, a very considerable number of Germans who have pronounced in favour of the allocation of Upper Silesia to Germany. There is a difference of about 200,000 votes. I assume that 160,000 out-voters who have voted were Germans going to vote against Poland. Then, if account only is taken of inhabitants properly so-called, the majority in favour of Germany would be very small of voters resident in Upper Silesian territory.

'Gentlemen, let us take the figures of the whole country, such as they are. If the ethnical considerations do not suffice, the treaty permits us to take into account geographical and economic considerations.

'Geographically, it suffices to state in effect that the German resident is on the west side; that is to say, that the part where the German population is most dense is precisely that part which borders on German territory and that the Polish residents congregate in the east bordering on Poland. As a result, geographical considerations would call for a partition from north to south.

'When, however, such a partition is made, what does one see? If one unites, for example, all the industrial area with certain agricultural districts in the north, one is faced with the existence of a Polish majority of from 20,000 to 30,000 votes. Only if one examines the matter a little closer one sees that this majority comprises certain German masses of population, namely, the towns and industrial centres. The question then is, how is their fate to be decided?

'Gentlemen, I am not one of those who disregard the efforts that can be made in a country to better the lot of its inhabitants and to civilise it more completely, and when, as in this case, the Germans have proceeded in a country formerly rural to create manufactories and to carry them on actively, my inclination is to give them credit for their beneficent efforts. But this result of German activity gives definite rights to individuals. It cannot carry with it an annexation of the districts where the Germans have set up industries to the advantage of their country. To admit this argument it would be necessary to take a map of the world, and one would then see entire districts which had been diverted to industrial purposes by the activity of German engineers and German chemists. No one would think of attributing those districts to German sovereignty merely as a consequence of the result of the efforts of individual Germans.

'To annex these Silesian districts to Germany would be contrary to all principles for which the war has been fought. What could be said was that the interests of particular individuals ought to be respected, though to grant the sovereignty to the country from which the pioneers derived their origin would be an altogether excessive proposition.'

MR. LLOYD GEORGE, intervening, said that he never proposed that because owners of the factories of Upper Silesia were Germans that therefore the country should be allocated to Germany.

M. BRIAND said that his remarks on this subject were necessitated by a press campaign in Germany itself. Also a claim had been made by Chancellor

Wirth that the Allies would inflict an injustice on Germany by not granting her the district which had been developed by German initiative and money.

M. Briand then resumed: 'Next, one is faced with the question of the industrial area. It is a great misfortune for Poland that there should be situated in this area such great wealth below and above the surface, for I believe that if Silesia had only contained some farms and cultivated districts the problem of the allocation of the territory would have been a much less acute one. There is this great mineral wealth, and then, gentlemen, one contemplates the conditions in which these districts ought to be allocated, and one says to oneself, "Well, we see an industrial area in the centre and one can fix its frontiers." This is the point where the French point of view distinctly separates itself from the British point of view. Why? Forty or forty-five years ago, at the time of the war of 1870, to be exact, do you know what Kattowitz was? Kattowitz was then an inn. The other centres of industry were then hamlets. In the last forty years they have been developed. Before making an appeal to economic considerations we should ask, what is the industrial area; from what is it derived? It is the mine which is the source of industry; it is the mine which has given rise to the manufactory on the surface. It has given rise to this particularly in the north; there are no reasons why later on the same should not happen in the south; all the districts depend one upon another. Consequently, the isolation of one part of the mining area is equivalent to saying that this part is really industrial. That, I believe, would be going in the teeth of the evidence. There is a mining area of which the boundaries have been traced by nature. It has given birth to the industries which will give birth to other industries. It is that area which constitutes the economic region, and not such part of it as one would wish to isolate so as to apply certain figures.

'Gentlemen, under the influence of these considerations, which I apologise for having given at such length, I believe that it is necessary for us to show the method by which the French point of view has arrived at its present conclusions. We have said the economic considerations which it is necessary to take account of under the treaty are the considerations which, to secure the continuity of industry, respond in turn to the desire that the industries already in existence should not disappear. But the considerations which should prevail are considerations of the ethnical nature, and the geographical considerations tending to give to each of these two countries the districts which border upon them respectively. The voting allows this, and the frontiers which we have been successively tracing give up districts to Germany which border on Germany, and the votes only are distributed in such a way that in the zone attributed to Germany, Germany has a majority of the voters, while in the zone attributed to Poland, Poland will receive the majority of her voters. Those are two conclusions which we have reached. Our English friends have looked at the matter from another point of view, and the experts

⁶ Probably a reference to a speech at Bremen on Aug. 2 in which Dr. Wirth, German Chancellor since May 10, had spoken of Germany's possession of Upper Silesia for 700 years, during which the province had achieved well-being, prosperity, and civilization (Kultur).

find themselves held up by an obstacle which it was impossible for them to surmount without a favourable indication on the part of the Allied Governments. I thank Mr. Lloyd George for having demonstrated in this, as in all other matters, the great spirit of agreement and conciliation by contemplating the possibility of the experts resuming their labours at the point where they had left off to endeavour to pursue the matter to a further point.

'There are the industrial enclaves on which the attention of our English friends has been specially concentrated. When one wishes to isolate such enclaves from surrounding territory one is faced with consequences of a serious character. Isolated from all communes with a Polish majority which surround them, and from which they derive a great part of their life and activity, Beuthen by itself is nothing; it is necessary to give to it the surrounding communes. It is necessary to add the district to the north of Gleiwitz and to the south of Kattowitz. When one has traced out the industrial triangle there is no real life in it. That is to say, it has no justification in itself under the terms of the treaty nor in respect of its own economical life. It is necessary to make certain additions to it to the north and to the south, and that is not all. When one has done that the triangle is still not rejoined to Germany. It is in a condition of isolation in Polish territory, and to attach it to Germany one is obliged to pass across a purely Polish district with a Polish majority, and to establish a bridge to the detriment of purely Polish territories.

'You will see all the arrangements which have to be made to arrive at such a solution. These arrangements are not in conformity with the spirit or the terms of the treaty. The great misfortune for the experts has been that they were stopped by this idea, that the triangle formed an absolutely indivisible industrial whole from the north to the south and from the east to the west. These are the considerations which imposed a most difficult task upon the experts.

'If with the light which can be thrown upon the matter by the experts one can arrive at some solution, we will accept it with the best possible good-will.

'In this matter, so difficult, so delicate, and which has carried such exaggerated notions into the public opinion of different nations (it is very necessary to say that the newspapers are not too ready to render conciliatory help), the French sentiments have been over-emphasised, and attempts have been made to show that we are influenced by some ulterior motive of putting pressure upon Germany; but I am convinced that if we make persistent attempts at conciliation we shall solve this problem as we have solved all the others.

'What, in short, is the settlement of this question by the side of the great world-wide interests which we represent on the Supreme Council? What would the problem of Upper Silesia weigh in the balance when we reach an agreement as to its future and when the peace and calm return to that country by the side of the irreparable consequences which would result for us in the event of it being impossible for us to reach an agreement? If on a matter of this kind we separate without having concluded an agreement, what will happen to the world situation, at this moment so delicate from the

point of view of peace? All the High Commissioners who have spoken have emphasised the question of security, and have in this respect taken the common point of view, namely, that the prestige of the Allies united and unanimous is vital in Upper Silesia, and the thought that they cannot be in agreement gives rise to the troubles in that country leading perhaps to irreparable events. Gentlemen, it is sufficient that the problem should be placed before us in such a way that we ought to see it as a whole, and, speaking as a Frenchman, I say very clearly that everything that can be done without violating the spirit of the treaty, and what we consider to be just, we will do. I am convinced that if it is the real earnest wish of the Governments to reach an equitable and unanimous conclusion, I am sure that we shall succeed. We have already disposed of other still more difficult problems, so that there is nothing impenetrable to the good-will of the Allies acting together. If this time we decide to work in the same spirit, I am sure that the problem of Upper Silesia will be solved in a satisfactory manner.

'I ought to add one word. In the solution presented by the British experts there is one matter which seems to be altogether outside the treaty and the spirit of the treaty. It is this. It is proposed to give to Poland 11 per cent. of the German voters, including the out-voters, and to give to the Germans 70 per cent. of the Polish voters. This appears absolutely contrary to the letter of the treaty and outside the purview of those considerations by which the problem of Upper Silesia ought to be solved by the Allies.'

Signor Bonom said that after listening with great interest to the British and French points of view as stated by Mr. Lloyd George and M. Briand respectively, it was his duty to lay before the conference the point of view of Italy in respect of the difficulties which had arisen out of the situation in Upper Silesia. He could very well understand and sympathise with the feelings with which M. Briand had felt it his duty to inform the conference of the point of view of France, which had made great sacrifices in men and money to secure the victory, and which had throughout displayed an intense desire for a fair and equitable solution of the Upper Silesian problem. It was not difficult to understand the French attitude towards this question, which was one easy to justify. M. Briand had based a substantial part of his argument on the desirability of giving Poland what she was equitably entitled to receive, having regard to her past history and the sacrifices and hardships she had undergone, and, if it had only been a question of making certain the safety and security of Poland in the future, the Italian attitude would have been easy to determine. He ventured to remind the conference that the first voice which had been officially raised in favour of Poland had come from Italy on the occasion when the President of the Italian Chamber of Deputies had sent a greeting to the Polish people.7 That was at a time when Russia was



⁷ A motion tabled in the Italian parliament in December 1915 had 'expressed the most ardent wishes that the very noble Polish nation, which had been for centuries an important factor in civilization . . . should be reconstituted as a unity in a free and independent State.' See R. Machray, *The Poland of Pilsudski* (London, 1936), p. 50; cf. R. Dyboski, *Poland* (London, 1933), p. 74.

still a power to be reckoned with. But the question was not merely one of the future security of Poland. Could it be said that the possession of Upper Silesia was a vital matter for Poland, that without such possession she could not enjoy in full a national life such as the Allied Powers hoped she would be able to live in the future? The Italian Government could not answer this question in the affirmative. It did not appear to the Italian Government that the possession of Upper Silesia was of absolutely vital importance to Poland. In his (Signor Bonomi's) view, this was not a question of two races struggling bitterly with one another for over two centuries, but was a question rather of the mingling together of two races, one of which was on a distinctly higher plane, so far as culture and economic progress were concerned. In the circumstances it ought not to be difficult to draw up a satisfactory frontier line which was to be determined by means of the plebiscite, the number of voters and geographical and economic considerations all being taken into account. He was in entire agreement with the arguments submitted to the conference on the question of 'one vote, one value,' and, while fully appreciating what Mr. Lloyd George had said as to the risk of introducing a distinction favourable to Bolshevik pretensions, he saw no justification for not treating the votes of artisans and peasants as of equal value. As regards the so-called economic triangle, he was disposed to think that this constituted a separate umit, but that this was a matter on which very useful investigations could be made by the experts. But, above all, he entirely endorsed what M. Briand had said about an agreement between the Allies being of far greater importance than any question of Upper Silesia. A settlement of this particular Upper Silesian difficulty would reflect the greatest credit on the conference and would, he felt sure, bring the Allies closer together and enable them to continue their beneficent work in Europe.

VISCOUNT ISHII said that the Government of Japan had no representative on the Upper Silesian Commission, and were therefore unable to express any views derived from first-hand information or documents on the subject, but the Japanese Government was most anxious for a settlement of the question by an agreement between the Allied Governments concerned, and he trusted that the deliberations of the experts would enable such an agreement to be reached.

(The conference then adjourned for tea.)

2. The Near East

M. Briand said that, pending the work of the Upper Silesian Experts, from which a happy solution might be hoped for, he proposed to take up the question of Asia Minor. It was not the first time that the Allies had found themselves in difficulties over the Graeco-Turkish conflict. At the London Conference an attempt had been made to mediate, without much success. He would be glad to know if any of the Allies could throw any light on the present situation.

⁸ See Chap. II, Nos. 13, 15, 17-25, 32-36, 48, 51-56, 58-59, 65-66, 69.

MR. LLOYD GEORGE enquired whether it might not be advisable for the Conference to hear an appreciation from the Military Advisers. As he understood the position, the Turks were now some 50 to 100 miles behind the lines that they had held before the recent Greek offensive and were marching in the direction of Mecca [sic].

M. BRIAND said that Marshal Foch and General Weygand¹⁰ would be glad to inform the Conference of the present situation so far as French information was concerned. He (M. Briand) understood that the French Military Advisers took the view that the Greeks had had a tactical success but had not had that strategical victory which they claimed, that the Greeks would probably advance so long as the good weather lasted, but if bad weather came on they might find themselves involved in guerilla warfare and experience difficulties with their transport.

MR. LLOYD GEORGE suggested that before Marshal Foch spoke the Conference should hear Colonel Heywood, who had just arrived from Constantinople and who had been sent by General Harington to lay the latest information before the Conference. Colonel Heywood and General Marden had visited the Greek Army before the recent attack, and would inform the Conference of the existing situation.

M. Briand said that he would be interested to hear what Colonel Heywood had to say.

Colonel Heywood said that the Greek information was that since the operations which had taken place in March and April¹⁴ the Turkish army had prepared a new line of defences south-east of Kutaya, and had improved their defences North-west of Eskishehr. Bearing in mind the lessons of last Spring the Greek plan was to avoid fighting the Turk in prepared positions, but, by manoeuvring, to force him to leave these positions and try and induce him to fight in the open. In order to deceive the Turks as to their intentions, the Greeks sent a northern column from Brussa to demonstrate against the positions north-west of Eskishehr, and another from Ushak via Gediz in the direction of Kutaya. Another column was sent from Brussa via Adranos on Kutaya, whilst the main column, after occupying Afiun Karahissar, swung northwards round the left flank of the fortified position. Ismet Pasha¹⁵ decided to withdraw his troops, but, in order to avoid being surrounded was

- 9 A new Greek offensive had been launched on July 10-11.
- ¹⁰ Respectively President, and Chief of Staff to the President, of the Allied Military Committee of Versailles.
 - ¹¹ Col. T. G. C. Heywood, a staff officer attached to the British forces in Turkey.
- ¹² C.-in-C., Army of the Black Sea; since June 19 commander of the Allied troops in Constantinople.
- 13 Gen. T. O. Marden had been sent to Asia Minor from Constantinople in June 1921 to report on the military situation.
- 14 On March 24 the Greeks had opened an offensive against the Turkish Nationalist positions, but, after initial successes, they had been heavily defeated on April 2 and forced to retreat to their original lines.
- 15 Col. Ismet Pasha was at this time Chief of Staff to Mustapha Kemal, the Nationalist leader, and in command of the Turkish forces on the western front.

forced to detach several Divisions to the south to meet the Greek turning movement. This gave rise to a serious engagement in which the Turks were believed to have lost 9,000 men, whilst another Division was sent west of Kutaya to meet the Adranos column. After a light engagement the Adranos and Gediz columns occupied Kutaya on the 17th [July], and advanced north-eastwards on Eskishehr. The Turkish left was withdrawn on Seidi Ghazi, whilst the troops north-west of Eskishehr withdrew eastwards through Eskishehr. Owing to the rapid Greek advance the Turk was unable to take up a position to cover Eskishehr, and the Greeks occupied that town on the morning of the 20th. The Turkish situation then was that all the Turkish Divisions were collected in a comparatively narrow space between the Boz Dag on the north and Sultan Dag on the south. The Turks were then in such a position that if the Greeks had enough strength left the Turks offered the latter an opportunity to deal an effective blow, as they had to stand and fight in order to gain time to withdraw their troops through the Pursak Chai defile. Ismet Pasha decided to launch a counter-attack on the 21st on the troops round Eskishehr. Eleven Divisions took part in this battle, attacking Eskishehr from the north and south-east. These attacks were repulsed by the Greeks with heavy losses. The Turkish army then withdrew eastwards, the Greek Army following up to the line which they now occupy, east of Eskishehr, which runs from the Boz Dag north of Alpi Keui station to the heights east of Seidi Ghazi. On this line the Greeks stopped to re-organise their transport and communications. The Turkish troops withdrew eastwards and north-eastwards to the Sakaria river, east of which they were reorganising their forces and preparing a new position, leaving detachments west of the Sakaria at Muhalich, Beylik Akhor and Sivrihissar. Colonel Heywood, in reply to a question by Mr. LLOYD GEORGE as to the condition of the Turkish and Greek armies respectively, stated that the moral of the Greek army was very good and that of the Turkish army was undoubtedly bad, that the soldiers were very liable to desert if they had an opportunity of doing so, but that the Turkish Staffs and officers were good, as they had been able to pick the best of the old army. The Greek army, on the other hand, was flushed with success, and for the moment their moral was distinctly good. The Greek superiority in effectives was in the proportion of 6 to 4.

Marshal Foch said that Colonel Heywood's appreciation of the situation agreed very closely with the French information. The Turkish and Greek armies were now in approximately the same condition as they had been before the recent offensive started, though the Turks had lost some 40 guns and had about 9 Divisions left. The Greeks had about 9 Divisions. The Turkish army was lying about 200 kilometres from its former line. It had been unmolested for some time, and was, no doubt, taking the opportunity to re-organise its units.

COLONEL HEYWOOD remarked that the reason the Greeks had not advanced further was that they were re-organising their transport. The railway from Bilejik to Eskishehr was already reported to be in working order, and the Greeks hoped that the lines Eskishehr-Alpi Keui and Eskashehr [sic]-Kutaya would be working by August 13th.

MR. LLOYD GEORGE enquired when the advance towards Angora was likely to take place?

COLONEL HEYWOOD said that he was unable to give any date; he understood that the Greeks hoped to be in a position to advance next week.

M. Briand remarked that the Greeks should certainly in their own interest advance before the wet weather set in.

COLONEL HEYWOOD said that the Greek Government would probably be influenced by political rather than military reasons in ordering the advance to continue.

M. Briand said that three days ago M. Berthelot had seen M. Venizelos, 16 who had expressed the opinion that in the present circumstances it would be an act of madness for the Greek army to go to Angora.

M. Berthelot stated that M. Venizelos had told him that in his view the results obtained to date by the Greeks had been very satisfactory, but that everything would be risked by an advance to Angora and the consequential lengthening of the lines of communication.

MR. LLOYD GEORGE enquired whether the Greek army was not bound to attack the Turks?

COLONEL HEYWOOD replied that this would depend upon whether the Turks really intended to make a stand or not.

M. Briand, on behalf of the Conference, thanked Colonel Heywood for his appreciation of the situation.

THE MARQUESS DELLA TORRETTA stated that the information at the disposal of the Italian Government confirmed that which had been given to the Conference by the British and French Military Advisers.

M. Briand thought that at the present moment neither the Greek nor the Turkish Governments would favour mediation by the Allies, and enquired whether it might be desirable for the Conference to pass any resolution on the Graeco-Turkish situation?

MR. LLOYD GEORGE said that there were two points which he thought should be definitely raised at the next meeting of the Conference. The first of these related to mediation by the Powers between the Greeks and the Turks, and the second to the question of the neutrality to be observed by the Powers towards the two combatants. In present circumstances there had been various interpretations of the meaning of 'neutrality' and it was most desirable that uniform rules should be enforced in all countries. The normal practice in former wars, which appeared applicable to the present case, had been for the Governments to maintain strict neutrality, but at the same time to allow private firms to carry on transactions in munitions of war, etc., with belligerents. As instances he mentioned the proceedings between munition manufacturers in America and the Allied Governments before America's entry into the War, and the proceedings of British and French manufacturers vis-à-vis the Japanese and Russian Governments in the Russo-Japanese War. It had not in fact been the practice of the British Government to interfere in the past, and it was most desirable that there

16 Greek Prime Minister, June 1917-Nov. 1920.

should be a complete understanding between all the Allies on the question.

M. Briand agreed that the question was one of great importance to France. Many French private firms had received pre-war orders which they were endeavouring to execute after the War, but the Customs authorities had intervened and stopped delivery. The problem was one which should undoubtedly be considered by the Conference.

It was agreed-

That the meeting should adjourn until 11 a.m. on Wednesday, August 10th, 1921, when the questions of mediation and neutrality should be discussed.

(The Conference adjourned at 6.30 p.m.)

Hôtel Crillon, Paris, August 9, 1921

No. 94

1.C.P. 204] British Secretary's Notes of an Allied Conference held at the Quai d'Orsay, Paris, on Wednesday, August 10, 1921, at 11 a.m.

PRESENT: United States of America: Colonel the Hon. J. Harvey, Ambassador in London; Political and Economic expert, Mr. Butler Wright; MILITARY, NAVAL AND AIR EXPERT, General Allen; SECRETARY, Mr. Lane.

British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister; The Most Hon. the Marquess Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; Political and Economic Experts, Mr. Vansittart, Mr. Osborn, Sir E. Grigg; MILITARY, NAVAL AND AIR EXPERTS, Colonel Heywood, Colonel McLeod; SECRETARIES, Sir M. Hankey, Mr. Wicks.

France: M. Briand, President of the Council (in the Chair); M. Loucheur; M. Berthelot, Secretary-General of the Foreign Office; POLITICAL AND ECONOMIC EXPERTS, M. Kammerer, M. Daniélou; SECRETARIES, M. Massigli (Secretary-General), M. Brugère, M. Lagarde.

Italy: Signor Bonomi, President of the Council; Marquis della Torretta, Minister for Foreign Affairs; MILITARY, NAVAL AND AIR EXPERTS, General Marietti, Major Mazzolini; SECRETARIES, Signor Galli, Signor Brambilla, Signor Guariglia, Signor Bolardi Ricca, Signor Gianetti.

Japan: Viscount Ishii, Ambassador in Paris; Baron Hayashi, Ambassador in London; Political and Economic experts, Mr. Matsuda, Mr. Debuchi; Secretaries, Mr. Kato, Mr. Yoshizawa.

INTERPRETER: M. Camerlynck.

[1.] Asia Minor. Neutrality of Powers

M. Briand stated that the experts on Silesia would not be ready until 6 p.m. or 7 p.m., and the conference would therefore defer any examination

of the question until the following morning. The question on the agenda for the consideration of the conference that morning was neutrality in Asia Minor and the conditions of its exercise.

Mr. Lloyd George said he felt bound to maintain that it was necessary to put the ordinary interpretation on the term. The Allies had gone too far in the interpretation of neutrality, which should mean that a Government did not intend to aid one party or the other, nor to lend arms, credit or men, but that had never been interpreted as placing an embargo upon purchases by either belligerent from private firms in a neutral country. The Allies had bought freely in the United States of America before the latter had entered the war, and it had never been doubted that that was well within the rights of the United States as a neutral. She could have sold to Germany but for the blockade and we could not have complained. In the Russo-Japanese war, firms were quite free to sell to both sides. He understood that the Greeks had been placing orders for munitions, and was under the impression that it had been proposed that the Allied Governments should give an undertaking that this should not be permitted in their respective countries.¹ There should be no obligation upon either party to forbid the purchase of munitions so long as the parties found their own credits and made their own commercial arrangements. He thought it right to inform the conference that the British Government reserved to themselves the right to follow such course as their advisers considered safe and compatible with the principles he had indicated. Further, he understood that the Turks were receiving munitions of war from the Bolsheviks, and he had just received a report from Constantinople that these were on the increase. It would be straining the rules of neutrality to forbid the Greek Government to make purchases in Great Britain in such circumstances. Peace would now depend more upon the Greeks than upon the Turks, though at the time of the London Conference the reverse had been the case.² The Allies, in one way and another, seemed to have done their best to throw away the last vestige of influence with the Greeks, and it should be borne in mind that there was no obligation upon the Greeks to accept the advice of the Allies. The Allies had declined to recognise the King of Greece,3 and had gone to the extreme limit of forbidding the Greek Government the right of freely purchasing munitions. In such circumstances, if they were to tell M. Gounarist that he must stop the war, he might well ask by what right the Allies assumed that attitude and why they had done their worst to embarrass the Greek Government. There must be a stop to the conflict at some time. The time would come when the Allies would have to step in, and he did not wish the Greeks, when that time came,

¹ On April 14 the Greek Government had been informed in a note addressed to the Greek Chargé d'Affaires in London, that H.M.G. 'have agreed with their Allies to adopt an attitude of strict neutrality in regard to the present hostilities in Asia Minor, and that they have therefore decided that no facilities can be accorded for the export of war material from this country to either Greece or Turkey.'

² Cf. Nos. 65 and 66.

³ See Vol. XII, Nos. 477-82 for the non-recognition of King Constantine.

⁴ Prime Minister of Greece after the resignation of M. Kalogeropoulos on April 8.

to feel that the Allies had been hostile. The Turkish army was seriously weakened, the Greek army was in good condition, and it would therefore be very difficult to persuade the Greeks to cease hostilities, which made it all the more necessary that the Allied Governments should be in as favourable a position as possible. He would like, therefore, to reaffirm that day the principle of neutrality between the parties, relying upon the old interpretation of neutrality, that Governments should not intervene and that the parties should be free to buy any material commercially for which they could pay.

THE MARQUIS DELLA TORRETTA stated that the Italian delegates were in agreement with the principle enunciated by Mr. Lloyd George. The Italian Government had acted in preventing purchases leaving the country. If the Allies were agreed that, while the Governments must abstain, private individuals should be free, the Italian Government had no objection.

Mr. Harvey said that while the present matter was somewhat academic so far as it concerned the United States of America, at the same time it did not appear to involve any departure from the traditional policy of his country.

BARON HAYASHI said that the Japanese Government had no objection to the interpretation proposed in the actual conditions now existing.

M. Briand stated that the French Government had no objection to Mr. Lloyd George's interpretation of neutrality, which was in conformity with the letter and the spirit of the French law. The neutrality of the Governments must be asserted, but private individuals would remain free to act according to the existing law, and any interference with such freedom would be an arbitrary act which the French Government would certainly not undertake. He was in complete agreement with the position enunciated by Mr. Lloyd George. Moreover, the Greek Government had succeeded in placing contracts, and by the exercise of their ingenuity had succeeded in circumventing the restrictions of the French law, and were therefore not much embarrassed by it. They had practically got whatever they wanted, and when the time came for mediation the Greeks could not well allege that the Allied Governments had put difficulties in the way.

Mr. Lloyd George then handed in a resolution to give effect to his proposal.

M. Briand observed that the French manufacturers would be particularly injured if liberty of private trade with the belligerents was not recognised. Most of the Greek war material had in fact been made in France, numerous contracts had been concluded between the Greek Government and French manufacturers for the manufacture of munitions which could not be made elsewhere. It was necessary that the resolution should indicate that private firms were at liberty to supply war materials.

MR. LLOYD GEORGE said that in both countries there had been an embargo upon the supply of munitions by private firms, and all that was required was to remove the embargo.

The conference thereupon agreed to the following resolution:—

'To continue an attitude of strict neutrality in the war between the Turks and the Greeks; that is to say, the Governments agree not to intervene in the struggle with assistance of any kind, whether in the form of troops, arms, or credits, it being understood that the above disposition in no way infringes the rights of private firms to freedom of trade.'

[2.] Greek Navy in the Bosphorus. Assistance to the Nationalists from Constantinople

M. Briand stated that there was a further point connected with neutrality—the use of the Bosphorus as a possible base for the Greek navy. The High Commissioners had already considered the matter,⁵ and perhaps a ruling of the conference would be of advantage.

Mr. Lloyd George pointed out that Constantinople was held by Allied armies. If they were to evacuate Constantinople it would fall into the hands of the Greeks without any difficulty. The Turks had no forces available, and the Greeks could occupy it either from Chatalia or Ismid. It was rather hard on the Greeks that the Allies should not merely keep Constantinople safe for the Turks and prevent the Greeks from delivering a fatal blow to Turkey, thus compelling the Greeks to pursue the present war in the mountains of Asia Minor, but should at the same time deny the Greeks the right of using the Bosphorus. A telegram had been received from General Harington stating that 800 tons of military stores had recently reached Samsun from Russia, and that other stores were reaching Trebizond.6 The Bolsheviks were continually supplying the Turks. Moreover, arms and ammunition were constantly being smuggled from the stocks which the Turks held in the Constantinople district. The Nationalist organisation was in very close touch with the Turkish Ministry of War, and the smuggling actually took place either in Allied ships or in small motor-boats, which made it difficult to intercept the shipments. It was too much to refuse the Bosphorus to the Greeks and at the same time to prevent them from occupying Constantinople. He hoped that this controversial question would not be precipitated by any declaration. If the matter were formally raised, then the Allied Governments would have to raise the question of the Turkish Government and Constantinople. He trusted that the conference would not intervene in the matter of the Bosphorus, as it would really be taking sides against the Greeks.

M. Briand said that he had merely raised the question because it had come up between the High Commissioners, but he had no wish for any public resolution. It was not a question of the Black Sea. There was no objection to the Greeks preventing Bolshevik assistance to the Turks. It was only desired to keep the Greek navy away in order to prevent useless bombardment of defenceless towns without any useful results, thus further imperilling the chances of peace negotiations. That was all that was required. No resolution was necessary, but it might be possible to warn the Greeks that the shelling

⁵ In May and July 1921. The Greeks had been using Constantinople as a base for naval operations in the Sea of Marmora and the Straits.

⁶ The reference is to telegram No. 719 of Aug. 5 from G.O.C. Allied Forces, Constantinople, to the War Office.

of defenceless towns was useless and would only make it more difficult to secure peace.

MR. LLOYD GEORGE said that the telegram from General Harington to which he had referred showed, on the contrary, that the Greeks were much embarrassed by the active assistance which was being given to the Nationalists by the Turks at Constantinople and the Turkish Ministry of War. It would be very difficult to keep the Greeks away from the Bosphorus while such conditions prevailed.

[3.] Mediation of the Powers

LORD CURZON said that the conference would have to consider whether it were possible immediately to undertake mediation between the Greek and Nationalist forces. It was obviously desirable that the Allies should take that course at the moment when it was most likely to be useful. The modifications of the Treaty of Sèvres, proposed in London, had been rejected by the Turks at once.7 The next step had been that the Greeks, taking the matter in their own hands, had decided to resume the conflict.8 At the same time the Turks had shown no desire to fulfil the minor preliminary agreements which had been made with them. The agreement in regard to the exchange of prisoners had not been carried out.9 The British Government had released the Turkish prisoners, but the British prisoners had not been given up by the Turks. In the same way, agreements made with the French Government concerning Cilicia and with the Italian Government on various matters, had not been carried out by the Turks. 10 The Allies' attempts in London to mediate had therefore fallen to the ground. The same result had followed upon an attempt which had been made after his visit to Paris in June, during which he had discussed the matter with M. Briand and the Italian Ambassador, 11 He had made certain proposals to be put to the Greeks with a view to mediation before the resumption of the struggle. The Greeks had been asked to place themselves in the hands of the Allies with a view to an arrangement with the Turks. The attempt failed, however. The Greeks declined the offer. It was, therefore, very important that if the Allies were to offer to mediate again they should be very careful to do it at the right moment and not to incur another rebuff. The question was whether the right moment had yet occurred. It was incontestable, from the evidence placed before the conference within the last twenty-four hours, both on the military and political position, that the moment had not yet arrived. It was clear, from the account given by Colonel Heywood on the preceding day, that the Greeks had obtained substantial results, but had not yet completed their operations.¹²

⁷ See No. 59, Appendices 2 and 3 for the immediate reaction of the Turkish delegates to the suggested modifications. These were subsequently rejected by the Grand National Assembly at Angora.

⁸ See No. 93, n. 14. 9 See No. 69, n. 6.

¹⁰ For these agreements see No. 69, n. 4, and No. 88, n. 15, respectively.

¹¹ See Chapter V for these Allied meetings in Paris, June 18-19.

¹² See No. 93, minute 2.

The defeat of the Turks, though serious, was in all probability not yet final. The military position, therefore, was not yet stabilised. From the political point of view there had been no approach from either party at the present moment. If the Allies approached the Greeks, the latter, elated by their victory, would probably not consider the terms which the Allies thought reasonable and which could be imposed upon the Turks. It was only necessary to read the Greek press to appreciate the political feeling in Greece. On the other hand, the Allies had had very little communication with the Turks, but he thought it was clear that the Turks still maintained hopes of final victory, or at any rate were relying on the Bolsheviks for assistance and were not yet in a mood to listen to an appeal. There were, therefore, at the moment no elements of possible success. Further, neither of the parties had asked for mediation, and to offer mediation when it had not been invited was useless, if not actually humiliating. He therefore advised that the Allies should hold their hands until the situation had developed and they were requested by one or other of the two parties to intervene. Such an invitation might come from either, and he thought it likely if the military situation developed strongly in favour of one or the other side. There was a further consideration. The Constantinople Government had a foot in both camps, and were anxious that the Allies should state the terms upon which they were prepared to agree with the Angora Government. The object of the Constantinople Government was clear; they desired the credit of initiating negotiations, and were anxious to save their own existence. The moment, therefore, was not opportune, and, while keeping a discretion, the Allies should express their opinion that the moment had not yet arrived, and should refrain from intervention at the present time. Lord Curzon then proposed the following resolution for the approval of the conference:—

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'While reserving their discretion to offer mediation between Greece and Turkey at a suitable juncture, the Allied and Associated Governments are of opinion that the moment has not yet arrived when such intervention can be attempted with advantage.'

THE MARQUIS DELLA TORRETTA stated that, in the circumstances existing, the Italian Government agreed with the resolution that had been proposed.

MR. HARVEY said that he did not desire to offer any opinion.

M. Briand agreed that the time had not yet come for intervention with any chance of success.

The conference thereupon agreed to the resolution proposed by Lord Curzon.

[4.] Informal Investigation into Attitude of Belligerents

MR. LLOYD GEORGE said there was another proposal which he would like the conference to examine. He agreed that it was not an appropriate time to intervene, but it might be worth while to make informal enquiries so that when the moment for intervention came, the Allies should know the real position. It was useless to place any permanent value upon the excitable

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declarations of Greek public opinion in the press. It was a question of finding out what level-headed men like M. Gounaris had in mind in order to compare his policy with the probable attitude of the Allies. The Allies had torn up the Treaty of Sèvres. That had been done by the Allies themselves in the direction of the Turkish demands and not by the Greeks. It was therefore too late to turn round to the Greeks and offer them the Treaty of Sèvres. They would have taken it at an earlier date, but the position was now that of conqueror and conquered, and the Allies must realise that the Treaty of Sèvres having been abandoned and the Greeks having conquered considerable territory after suffering substantial losses would upon the next occasion for negotiations probably be more ambitious in their demands.

[5.] Military Investigation into the Forces required for the Occupation of the Straits

There was the further question of the Straits. Gallipoli had been allocated to the Greeks and the Asiatic shore was at the moment under the control of the Turkish army. What was the attitude of the Allies? They should be clear in their minds. Were the Allies to hold Constantinople and the Straits? It was quite clear that the Turks could not be allowed to resume control of the Straits which they had lost in the war. There should be a military investigation into the force which would have to be kept in the Straits if they remained in Allied occupation, what forts should be set up and the degree to which the navy could assist. He suggested that the time which must elapse before any intervention could take place should be utilised in finding out what was in the minds of the conflicting parties and communicating such information as was obtained between the Allied Governments and that there should be forthwith referred to the Inter-Allied Military Committee at Versailles the question of what troops would have to be maintained permanently in the Straits in order to guarantee their neutrality. He suggested that the Inter-Allied Military Committee at Versailles should have the assistance of Colonel Heywood who had come straight from General Harington at Constantinople and was in a position to give the latest information on the military situation. He felt sure that the British taxpayer was not likely to agree to shoulder the burden of occupying the Dardanelles and he did not know whether the French and Italian taxpayers would be any more inclined than the British.

M. Briand said he had no doubt as to the feelings of the French taxpayer. Marquis della Torretta said he understood Mr. Lloyd George desired two kinds of investigation:—

- 1. Military at Versailles.
- 2. Political.

He questioned whether it would be possible to make a political investigation at the moment.

MR. LLOYD GEORGE said he had only meant an informal enquiry through the Ambassadors of the Powers or such other means as might be available. VISCOUNT ISHII stated that the Japanese delegation agreed to the course proposed.

COLONEL HARVEY did not wish to express any opinion on the matter.

M. Briand said that he approved of any [? un]official enquiry which would enable the views of the belligerents to be ascertained. The French Government had not failed to seize every opportunity which had presented itself to obtain information on the situation. Still, the events of the moment were too confused and too uncertain for any precise conclusions to be drawn from them. In these circumstances it would be imprudent to engage oneself too far at the risk of later events placing the Allies in the presence of a difficult situation.

M. Briand believed that the war tended towards a Greek success. At the same time he was not absolutely sure. The events of the next few weeks would settle this point, but it should not be overlooked that if the Greek army failed to obtain before the winter decisive strategical results, the peace which one contemplated as near, might be indefinitely postponed; in this case the situation of the Greek army at the close of the winter would be very difficult, and a new phase of the operations would be opened particularly troublesome for the Greek army, which might find itself unable to take advantage of its previous successes, and its victories might even become dangerous to it; the influence of the Allies could then perhaps be usefully employed.

It was precisely because account should be taken of this possibility that the Allies ought to endeavour to preserve intact all their authority towards the belligerents. They ought not to compromise their prestige, and by taking hasty action see their offers once again rejected. Accordingly, M. Briand agreed to Mr. Lloyd George's proposition subject to the condition that it should be clearly understood that the enquiry in question would have a purely [? un]official character.

As regards Constantinople and the question of the Straits, M. Briand thought that this was a world-wide matter. He did not believe that Greece hoped to solve this grave question from the purely Greek point of view. The Allies ought to notify their decisions on this subject, and the Greeks ought to accept readily such decisions. M. Briand was certain that, if the Greeks wished, in a moment of pride, to revive their very distant past, the Allies would not fail to oppose such action.

The question of the Straits ought to be examined with extreme prudence. All the Allied Governments were in agreement on the point that the Straits should remain free. What it was necessary to determine was how such freedom could be secured. M. Briand frankly declared that he had no idea of the military forces which were necessary to fulfil this service, but he did know that France was opposed to distant military operations. She found that the 100,000 men which she was obliged to maintain in Cilicia constituted more than sufficient burden for her, and without any doubt the French Parliament would strenuously oppose any increase of this burden.

M. Briand desired also to draw the attention of the Supreme Council to the fact that, granting the necessity for safeguarding the future, it should

not take any premature decision on the question of the Straits. He wished this question to be examined coolly in an enquiry such as had been suggested, it was necessary to avoid any appearance of partiality of a kind which might compromise the prestige of which the Allied Governments had such need, so as to exercise in a useful manner and in the direction of peace such influence as they possessed in the Near East.

MR. LLOYD GEORGE said that in proposing the investigation he had not referred to the question of Constantinople. He thought it was important that the Allies should know what the occupation of the Straits would involve for their own information, but they must not in any way commit themselves.

M. BRIAND said he concurred.

MR. LLOYD GEORGE then proposed the following resolution:—

'It was agreed that-

- '(a) Each of the Allied and Associated Powers undertakes to use such informal means as are available to them to ascertain the real intentions of the belligerents, and to interchange information on the subject.
- '(b) To refer to the military representatives at Versailles, in consultation with other military, naval, and air representatives, for immediate consideration and report, the question of what inter-Allied forces would be necessary to guarantee the freedom of the Straits.'13

MARQUIS DELLA TORRETTA asked whether the forces mentioned in the second paragraph of the resolution referred to the forces required in war or in peace.

MR. LLOYD GEORGE said that an estimate would be necessary in both cases. He wished to find out what forces would be necessary supposing the Allies undertook to guarantee the freedom of the Straits in accordance with the terms of the Treaty of Sèvres.

MARQUIS DELLA TORRETTA said that he thought the Military Committee had already made a report on the forces required in peace time.¹⁴

MR. LLOYD GEORGE said that he thought a good deal more information had been obtained since that report was made.

LORD CURZON pointed out that that [the] report referred to included the Sea of Marmora and the whole of the demilitarised zone.

The conference agreed to the resolution submitted by Mr. Lloyd George. The text of the various resolutions agreed to by the conference is set out in the Appendix.¹⁵

15 Not printed. This reproduced the resolutions printed on pp. 655, 657, and 660.

¹³ A note in the original read: 'At the following meeting of the conference held at 4 p.m. the same afternoon [see No. 95, minute 1] the terms of reference to the military representatives at Versailles were revised so as to apply only to the Dardanelles, and the word "Dardanelles" should therefore be substituted for "Straits" in the above resolution.'

¹⁴ The reference was to their report of Feb. 17, 1920; see Vol. VII, No. 14, minute 2 and Appendix 1.

M. Briand stated that, at the afternoon sitting, the conference would consider aeronautical questions in relation to Germany.

(The Conference adjourned until 4 p.m.)

Hôtel Crillon, Paris, August 10, 1921

No. 95

1.C.P. 205] British Secretary's Notes of an Allied Conference, held at the Quai d'Orsay, Paris, on Wednesday, August 10, 1921, at 4 p.m.

PRESENT: United States of America: Colonel the Hon. J. Harvey, Ambassador in London; Political and Economic Expert, Mr. Butler Wright; MILITARY, NAVAL AND AIR EXPERT, General Allen; SECRETARY, Mr. Lane.

British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister; The Most Hon. the Marquess Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; POLITICAL AND ECONOMIC EXPERTS, Mr. Vansittart, Mr. Sargent, Sir E. Grigg; MILITARY, NAVAL AND AIR EXPERTS, Major-General Sir C. Sackville-West, Colonel Twiss, Group-Captain Groves, General Masterman, Major Grindle; SECRETARIES, Sir M. Hankey, Mr. Howorth.

France: M. Briand, President of the Council (in the Chair); M. Loucheur; M. Berthelot, Secretary-General of the Foreign Office; POLITICAL AND ECONOMIC EXPERT, M. Daniélou; MILITARY, NAVAL AND AIR EXPERTS, Marshal Foch, General Weygand; SECRETARIES, M. Massigli (Secretary-General), M. Bressy.

Italy: Signor Bonomi, President of the Council; Marquis della Torretta, Minister for Foreign Affairs; military, naval and air experts, General Marietti, Major Mazzolini; secretaries, Signor Galli, Signor Bolardi Ricca.

Japan: Viscount Ishii, Ambassador in Paris; Baron Hayashi, Ambassador in London; Political and Economic Expert, Mr. Matsuda; Financial Expert, Mr. Kengo Mori; military, naval and air Expert, General Watanabe; secretary, Mr. Kato.

Belgium: M. Jaspar, M. Theunis; secretary, Viscount Terlinden. Interpreter: M. Camerlynck.

1. Asia Minor. Military Investigation into the Forces required for the Occupation of the Straits.

MR. LLOYD GEORGE stated that he wished to raise a question on the second paragraph of the resolution passed at that morning's meeting of the Inter-Allied Conference on the subject of the military investigation into the forces required for the occupation of the Straits. He wished to make it clear that the only question referred to the military representatives at Versailles was

¹ See No. 94, minute [5], p. 660.

the question of what inter-Allied forces would be necessary to guarantee the freedom of the Dardanelles, and that there was no intention of referring to the military representatives any question respecting Constantinople or the Bosphorus.

It was agreed—

'That the paragraph of the resolution in question should be modified so as to read as follows:—

- '(b) To refer to the military representatives at Versailles, in consultation with other military, naval and air representatives, for immediate consideration and report, the question of what inter-Allied forces would be necessary to guarantee the freedom of the Dardanelles.'
- 2. Aeronautical Questions. (i.) Resumption of Manufacture of Civil Aircraft in Germany: (ii.) Rules for distinguishing between German Military and Civil Aircraft.

M. Briand stated that the next question which the conference was called upon to consider related to the subject of aeronautics, and he proposed that Marshal Foch should give the conference an appreciation of the position.

MARSHAL FOCH said that certain aviation questions still requiring settlement had been submitted by the Inter-Allied Military Commission at Versailles, with a report, to the Conference of Ambassadors. That conference, however, had felt that the questions at issue were of a kind which required the consideration of the heads of Governments, and had referred the matter to the Supreme Council.2 The first question was mainly one relating to the definition of 'civil aviation' and the extent and character of the control which the Allies would have to insist upon in order to secure that the agreed definition was properly observed by the Germans. In this connection, Marshal Foch referred to the terms of article 178 of the Treaty of Versailles, the opening sentence of which states that the armed forces of Germany must not include any military or naval air forces. The whole question of the discrimination to be insisted upon as between civilian and military aeronautics in Germany had been considered by the inter-Allied Aeronautical Commission of Control, and it had been decided to draw up a series of rules to which the Germans should be required to give their full assent, and the strict observance of which would be a condition precedent for the carrying on of any civil aviation in Germany. There had been general agreement on the first seven rules out of nine rules in all. These seven rules on which there was agreement were mainly concerned with the quality and character of the machines which were to be allowed for civilian purposes. The eighth and ninth rules had been drafted so as to present [prevent] the possible transformation of civilian aircraft into military aircraft, and of German accumulation of machines or spare parts in abnormal quant[it]ies, or the maintenance of a personnel disproportionate with the machines in use and the

² This decision had been taken at the meeting of the Conference of Ambassadors on June 8.

requirements of commercial services. The British members of the Military Commission at Versailles had felt unable to accept rules 8 and 9, mainly on the ground that their nature was such as to make it necessary to continue an aeronautical commission of control in Germany in a form objected to by the British Government. The British representatives had urged that it would be sufficient in this matter to rely on article 178 of the Treaty of Versailles, and that it was unnecessary as well as undesirable to define measures to be taken to prevent possible breaches of the rules by Germany. The majority, however, of the inter-Allied Military Commission at Versailles had decided that the position must be strictly defined in accordance with article 178 of the treaty. It was not sufficient to forbid mobilisation measures and all military or naval aviation; it was also necessary to see that the restrictions were effectively observed as had been done in the case of the army itself, and so should be required in the case of aviation. Recent experience relating to the self-protection forces in Germany had clearly demonstrated that it was not sufficient to tell the German Government that they were not to do a certain thing.3 The Allies must take measures to secure in these matters that the German Government did not, in fact, do that thing. Accordingly, while the French proposal admitted fully the existence of German civil aviation, it was thought necessary to take measures to avoid the terms of the treaty being violated. It was in this respect in disagreement with the British proposal. It would have been well to have seized the opportunity of the London ultimatum to have notified to the German Government the aeronautical rules in question; disagreement on this matter could not be allowed; the moment for notification had now come; any further delay would have unfortunate consequences. As regards the actual details of the question, the French, Belgian and Japanese representatives on the Inter-Allied Military Commission at Versailles had agreed to articles 8 and 9, the Italian representative had felt bound to refer the matter to his Government, and the British representative, acting in accordance with the views of the Air Ministry, had entered a definite reserve against the articles.

Marshal Foch read articles 8 and 9:-

'ARTICLE 8.

'The factories engaged in the manufacture of aeronautical material must be declared. All the machines and personnel must be registered under the conditions laid down by the convention of the 13th October, 1919.

'ARTICLE 9.

'There will only be allowed:—numbers of pilots and cadets, aerodromes, stocks of aeronautical material (in factories or otherwise), stocks of aviation spirit (in factories or otherwise), as may be warranted by the means of the civil aviation services actually in being.'

³ A reference to the actions of the German self-defence forces under Gen. Hoefer in Upper Silesia; see No. 89, p. 599.

⁴ Of May 5, 1921; see No. 87.

Marshal Foch added that in the letter which had been addressed by the German Government to General Masterman on the 17th May,⁵ that is to say, after the ultimatum, that Government had declared itself ready to accept the conditions and rules laid down by the Allied Governments as regards the distinction between civil and military aviation. The time seemed then to him to have come to make known to the German Government the conditions which no one could hold to be unreasonable.

M. Briand asked whether the conference wished to discuss forthwith the first point, or whether it preferred that the Marshal should make a complete statement. It would perhaps be best to discuss separately the points of difference.

LORD CURZON thought that it would be best for the Marshal to complete his statement. The solution of the first question depended in a certain degree on the decision as regards the second question.

Marshal Foch, turning to the question of the control to be exercised in Germany, stated that the military and air representatives had unanimously recommended that 'in conformity with the Paris decision, in order to assure the application of the rules indicated above, constant control must be recognised.' In order to secure this constant control, the French representatives on the commission had proposed to set up a committee of control which 'should be maintained in existence until Germany had satisfied all the obligations which had been imposed on her by the Treaty of Versailles and the different protocols and subsequent arrangements.' This committee should comprise a representative from each of the principal Powers and of Belgium, and should be assisted by one or two technical experts. Its expenses should be borne by the Allied Governments.

At the Committee of Versailles the Belgian representative had agreed to this proposal. The Japanese representative had also agreed, only making a reservation on the subject of the duration of the functions of the Committee of Control. The Italian representative had agreed, subject to the reservation of the approval of his Government from which he had requested instructions. The British representative had declared himself unable to accept the French proposal, and was bound by the terms of a memorandum addressed by his Government to the Conference of Ambassadors, and which concluded with the following sentences:—

'The Allies should draw for all information from sources which are open to them in normal times, and all arrangements which may be considered necessary in the light of the information thus obtained should be based on article 13 [213] of the Treaty of Peace. Any other method would tend to provoke constant friction with Germany.'6

⁵ A copy was sent to the Foreign Office as enclosure in Berlin despatch No. 759 of May 25.

⁶ The text of this memorandum, as attached to a memorandum of May 5, 1921, prepared by H.M. Embassy, Paris, for the Conference of Ambassadors and transmitted to the Foreign Office under cover of Paris despatch No. 1700 of June 8, read as follows:—'1. His Majesty's Government are averse to any form of permanent control whether located in or outside Germany. In their view the existence of a Commission of Control (apart from any question

As to the location of this committee, the French representative thought that it would work efficiently only if it was placed in Berlin. The Belgian and Japanese representatives agreed with this view. The Italian representative reserved his agreement until he had received instructions from his Government.

Such is the second aspect of the question.

It is necessary, after having suppressed German military aviation, to secure that it does not revive. For this an appropriate control must be set up. The idea of a Permanent Committee of Control has received the assent of the French, Belgian, Japanese and Italian representatives, the latter under reserve. The French representative has suggested the choice of Berlin as the place where the committee should carry out its work.

LORD CURZON said that he would like to take both questions together. The questions to which Marshal Foch had referred were, of course, primarily of interest to members of the military and air force services, but it must not be forgotten that they had also very important political aspects, and it was eminently desirable that the conference should be fully informed as to these political aspects of the case. The whole difficulty might be said to arise out of article 198 of the treaty. About a year ago the Inter-Allied Aeronautical Commission in Germany became concerned at the prospect of the Germans building large civil aviation machines which might be used for military purposes.7 They had reported on the matter to the Inter-Allied Military Commission at Versailles, which had appointed a sub-committee to go into the question, and this sub-committee had experienced considerable difficulty in drafting the rules to which reference had been made by Marshal Foch. With regard to rules 8 and 9, Marshal Foch had stated the British standpoint very fairly and correctly. The British representatives had objected to the permanent commission proposed, on the grounds of expense, of the friction which such form of control must give rise to in Germany, and had urged very strongly that a more efficient method of obtaining information and exercising real control could be adopted, use being made of the ordinary Allied intelligence services. After this agreement, the question had been buffeted to and fro between the Inter-Allied Military Commission at Versailles, the Ambassadors' Conference and the Supreme Council, and on the 29th January last the Supreme Council had addressed the following resolution to the German Government:-

'In addition, in view of the extreme facility with which the rapid transformation of civil aviation to military aviation can be carried out, Germany shall accept the definitions established by the Allied Powers, which

as to its legality under the Peace Treaty) would involve constant friction and would be no more likely to prevent Germany, if she was so minded, from evading compliance with the letter or spirit of Article 198, than would the course which they propose for adoption.

^{&#}x27;2. This course is that the Allies should rely for information upon such sources as are normally available, and that any action that may be considered necessary in the light of information so received should be based on Article 213 of the Peace Treaty.'

⁷ Cf. Vol. X, Nos. 331, 342 (§6) and 352 and enclosure 3.

shall distinguish civil aviation from military aviation forbidden by article 198. The Allied Governments shall assure themselves by constant supervision (to be arranged) that Germany is fulfilling this obligation.'8

The resolution, however, had really shirked the issue, as it did not indicate in any way the nature and character of the supervision to be exercised.

Ultimately, on the 5th May, the London ultimatum imposed on Germany the obligation to accept all the conditions of disarmament laid down in the letter of the 29th January. The matter then again came to the Conference of Ambassadors, which attempted to settle the distinction between the two aviations and remitted it to the Versailles Commission; the conference again discussed the question on the 8th June, and reluctantly remitted it to the Supreme Council once more. In a note¹⁰ to the British Government, the French Government stated that the matter was for France a question of security.

Military, Naval and Aeronautical Commissions of Control in Germany

The British point of view might be briefly stated as follows, and Lord Curzon informed the conference that what he was about to say relating to the Aeronautical Commission of Control applied with equal, or even greater, force to the Military and Naval Commissions of Control. These commissions were very large and expensive bodies. The Aeronautical Commission originally comprised sixty officers, which number had now been reduced to thirty.

Marshal Foch intervened and pointed out that the number of officers was originally 258, of whom seventy were left, and Lord Curzon accepted Marshal Foch's figures.

Continuing, LORD CURZON said that, in the view of the British Government, there was no need at all for the continued existence of this body. The Germans had already handed over seven-tenths of the aeronautical material, and the remaining three-tenths was quite unimportant. It was full time that the Control Commission should be wound up, its labours brought to an end, and that the Allies should rely in future on those political, military, naval and aeronautical sources of information available. There should, however, be maintained in each country officers who would have had experience of the control in Germany and who could be readily called together when necessary to deal with particular matters, and these committees of officers could well refer the more important questions for decision to the Inter-Allied Military Commission at Versailles.

He (Lord Curzon) would like to ask the conference to take a rather wider point of view of the matter. Was it really contemplated that these commissions of control should continue at Berlin indefinitely? Such continuation was not in accordance with the treaty, and was, in addition, unwise and unjustifiable, since it meant that the Allies had so little trust in Germany's

⁸ See No. 12, n. 2 (iv) and No. 11, Appendix 2 (p. 106).

⁹ On May 20.

good faith that they must needs maintain special bodies of agents in Germany to check every German statement. The result could not be otherwise than one of half-concealed hostility. As Marshal Foch had truly pointed out, the matter was not one which could suitably be referred to the League of Nations under the provisions of article 213 of the Treaty of Versailles, and the Allies must therefore decide among themselves what kind of organisation should be set up. Marshal Foch, it was to be observed, proposed to maintain commissions of control at Berlin. Would the conference not favourably consider the alternative suggestion of the British Government to which he (Lord Curzon) had just referred? It would, of course, be necessary to obtain Germany's consent to this alternative, but such consent could certainly be obtained, particularly if a quid pro quo were offered in the shape of early dissolution of the existing commissions of control. If this suggestion were adopted there would be a great reduction in cost, a real effort would have been made to re-establish friendly and peac[e]able relations with the German people, and the Allied Governments would in practice obtain a more efficient administration than they were likely to get under the French proposal.

The Marquis della Torretta said that from the general point of view the Italian Government identified themselves entirely with the views expressed by Lord Curzon. His experience as Italian Ambassador [sic] at Vienna¹¹ had shown him the extravagance of the present system of control, which necessitated many officers of whom only one or two were actual workers. He referred also to the action of the Italian Government, which was taking steps to terminate the Commission of Control at Budapest, the president of which was an Italian general. With regard to the question of rules 8 and 9, the Italian Minister of War had now notified his assent to those rules. As regards the question of control, the Italian Minister of War would be quite satisfied if the matter was left to the League of Nations under article 213 of the Peace Treaty.

VISCOUNT ISHII said that the question was so highly technical in character that the Japanese Government had decided to abide by the opinion of their military representatives on the Inter-Allied Military Commission at Versailles. The Japanese Government, however, had objected to any long period of control, and this explained the reservation made by the Japanese representative. It was hoped that, in any case, control would be brought to an end with the least possible delay.

M. Jaspar remarked that, the Belgian military representatives having adhered to rules 8 and 9 and to the French proposals regarding control, the Belgian Government had decided to confirm such adherence, but Lord Curzon had put the whole question on a much broader ground, and the decision taken by the Inter-Allied Conference last January showed in his (M. Jaspar's) view that the Allied Governments had intended to maintain the present arrangements without substantial alteration—at all events, for some little time. He fully understood the view of the British Government in

He had been Italian Minister at Vienna from July 1920 to July 1921.

the matter, but, at the same time, he thought that it would not be safe for the Allies to trust to Germany's good faith until there had been some clear indication of a change in German mentality, and he urged that it would be better to wait a little longer before taking any momentous decision such as would be involved in the adoption of the British proposal.

M. Briand said that he would be quite delighted to vie in this matter with his British and Italian colleagues in the exercise of generosity towards the Germans. It had been suggested to him that he could well afford to play this part, but he could assure the conference that it was not one which it was possible for him to play. He would remind his British and Italian colleagues that France did not occupy the same geographical position as England and Italy. England was protected by the sea. Italy, having rid herself of the Austrian menace, was now secure. France, on the other hand, was facing Germany, and it was essential that she should neglect no measure which would ensure her future safety. He desired, in the first place, to render a tribute to the very valuable services of the various control commissions, who had accomplished so much in so brief a time. One of their most recent successes only dated back three months ago, when the Germans, having refused to dissolve certain unauthorised formations, had then accepted the Allied ultimatum and had surrendered large quantities of hidden munitions. Only a few days ago the Naval Commission of Control had reported the deviation of trucks full of munitions from their proper destination to a point of military importance, namely, Breslau. This was an example of German trickery. But the French people were now told that they should not press for the continuance of these commissions of control, but should rely on the good faith of Germany. He could assure the conference that no one would like to do this more than himself, but would any of his colleagues, if in his place, and with his country face to face with Germany, agree to such a proposition? In this particular matter it was represented that France faced by Germany was alone in her hatred; that there had developed between Germany and herself new causes of hatred which rendered control even more necessary.

This painful position should be realised. He (M. Briand) deprecated any hasty action as likely to produce a very dangerous situation, and might, in fact, imperil the peace of the world. He reminded the conference that the present German Government was not really in full charge of the situation. Behind the Government there still existed the old organisations filled with the old military spirit, and he felt certain that if France were to agree to abolish the control commissions and any discovery were then to be made in Germany, public opinion in France would insist on some very extreme measure, the necessity for which would have been entirely avoided had the control commissions continued in existence. Only a few days ago the Military Control Commission in Germany had reported that as soon as signs of division had appeared among the Allies the old German stubbornness had revived. The commissions of control had done excellently in the past, but their labours were by no means ended, and France could not for a moment agree to their immediate abolition. As regards aeronautical control, the proposition was,

in fact, to drop control before it had even begun to exist. This was one that the French could not understand. Moreover, the proposition had been notified to Germany, and Germany had accepted it.¹² What reason was there for the Allies to delay? He had the greatest possible respect for the League of Nations, but he did not think that the League of Nations was yet in a position to undertake this work of control. It possessed no proper machinery. The League of Nations could only work through officers, and the Allied officers were far more experienced and would do the work more efficiently. He agreed with M. Jaspar that it was premature to raise the question of the abolition of control. While the French Government had no desire to prolong control, they felt that the time was not yet ripe to bring it to an end, and they entirely concurred with the recommendations of the French military members of the Inter-Allied Military Commission at Versailles.

Mr. Lloyd George said that he would like to make a few remarks on the general question of the continuance of the control commissions. From the statement just made by M. Briand he felt that Lord Curzon had been perhaps misunderstood. Lord Curzon had never proposed that the commissions of control should come to an end immediately. There was, in fact, general agreement that a premature dissolution of the commissions would be fraught with serious consequences. Nevertheless, there was undoubtedly a great difference between the British and French standpoints in the matter. The British Government could not contemplate any proposal which would have the effect of eternalising (if he might coin the word) the commissions, which were undoubtedly disliked in Germany and only regarded with favour in certain of the Allied countries. There was no doubt at all that the presence of hundreds of these foreign officers careering about Germany investigating and enquiring into all kinds of matters was bitterly resented, not merely by the reactionary elements in Germany, but by all classes, and particularly by those persons who were endeavouring with great difficulty to bring Germany to a more reasonable frame of mind. It was inevitable that in the circumstances incidents of a regrettable character would happen. The German Government would apologise for such incidents, but would find it more and more difficult to keep the populace under control, and the time would come when the apologies of the German Government would not adequately satisfy the situation. Candidly, he was very much afraid of maintaining these foreign officers in Germany. Sooner or later he felt sure that mischief would result. He had listened very attentively to M. Briand's speech, and hoped that M. Briand did not mean that the French proposal was to be a substitute for the League of Nations control contemplated by the treaty. At the same time, no word had fallen from M. Briand from the beginning to the end of his speech indicating a determination to terminate the present control within a reasonable time. The Allies had very serious commitments of a military nature on the Rhine and Upper Silesia and in the Near East, and all this expensive machinery in Germany was seriously interfering with reparation payments. The Allies were still confronted with the old difficulty—did they

want beef or milk? In fact, they were trying to get milk and cut steak from the animal at the same time. This could not possibly go on.

M. Briand remarked that France had in the past always received special, if undeserved, attention from the Germans. France only desired that the cow should not set her horns in her direction.

MR. LLOYD GEORGE, continuing, repeated that Lord Curzon had not proposed the immediate dissolution of the control commissions, but had advocated the policy of a gradual reduction of the various commissions and their ultimate disappearance. As regards the danger from aircraft, the position of France was not very different from that of Great Britain. During the war, Paris had been possibly a safer place from air raids than London. The sea, so far from being an obstacle, was a real protection for invading aircraft, and, if Germany created a very formidable air service, Great Britain had quite as much to fear as Germany's continental neighbours. It could not therefore be said that the interests of Great Britain in the control of German aircraft was [sic] less direct than that of France and Belgium.

Mr. Lloyd George suggested in conclusion that the conference should refer back to the Inter-Allied Military Commission at Versailles the whole question of these commissions. The Versailles Commission should report to the Allied Governments on the work already done and remaining to be done, and should make recommendations as to when and how the commissions should be brought to an end, and what organisation should be substituted for them. It should be borne in mind that the Treaty of Versailles never contemplated a permanent body of officers established in Germany. It would be easy to imagine the resentment which would be felt by people in Great Britain or France if the Germans had been victorious and had insisted on a similar system of control in those countries.

M. Briand drew attention to the fact that an exchange of views of this kind on questions which remained unsolved was much to the detriment of France, which was made to appear lacking in generosity and to be trying at all costs to embitter the relations between Germany and the Allies. Franco-German relations were difficult enough; there was no desire to try to make them worse. He accordingly suggested that the question should be remitted to the Versailles Commission purely and simply and without any qualifications.

M. Briand read the following draft of the British resolution:—

'It is agreed that the question of the maintenance of the Inter-Allied Military, Naval and Air Commissions of Control in Germany should be remitted for examination and report to the Inter-Allied Military Commission of Versailles. The commission will examine what measures should be taken, at what stages and on what dates to secure the dissolution of the commissions and to substitute for them some other means of supervision and control of German armaments.'

M. Briand asked that this resolution should be examined with great care. These were not the pure and simple terms of reference that he had asked for, and the formula proposed was open to misinterpretation and would excite

greatly French public opinion. The Versailles Commission ought not to receive a definite mandate. It would suffice to say that the question of the commissions of control was remitted for examination to the Commission of Versailles, which would report. The military experts had assisted in the present discussion; they were then in full possession of all the necessary information.

MR. LLOYD GEORGE said that he was indifferent as to the actual wording of the terms of reference provided that the members of the Inter-Allied Military Commission of Versailles clearly realised what they were to report upon, and, in particular, that it would be their duty to examine the question of how and when the control commissions were to terminate and what organisation was to be substituted for them.

M. Briand was of opinion that the terms of reference should be as broad as possible. Investigation should extend to the present composition of the commissions; what had been done by them; how it had been done and what remained to be done in future, and the kind of conditions under which the work could best be carried on. All were agreed as to the desirability of obtaining a complete report, and, in the case of those control commissions which had actually finished their work, the Inter-Allied Military Commission of Versailles would no doubt recommend their dissolution and the heads of Governments would accept their verdict.

LORD CURZON remarked that M. Briand had omitted one important element, namely, what kind of organisation was to be substituted for the present system of control. Was this new organisation to be situated inside or outside Germany, and was it to be an inter-Allied body or bodies? The terms of reference should certainly cover important questions of this kind.

M. Briand said that when he spoke of the terms of reference of the Inter-Allied Military Commission of Versailles he had in mind that the commission should be given the fullest scope and should cover the whole ground. He quite agreed that the points referred to by Lord Curzon should be considered by a commission.

(The conference adjourned for tea at 6.10 p.m.)

On resuming after tea, the conference agreed to the following terms of reference to the Inter-Allied Military Commission of Versailles, which had been drafted in the interval:—

It was agreed—

To remit for examination by the Inter-Allied Military Commission of Versailles, to which shall be added naval and air representatives, the question of the commission of control.

The Inter-Allied Military Commission of Versailles in its reports to the Governments shall specify the position of the work accomplished by the commission, as well as the work remaining to be accomplished, and shall submit proposals concerning the form in which the supervision of the execution of the clauses of the Treaty of Versailles shall be assured in the future from a military, naval and aerial point of view.

3. Russian Relief.

M. Briand said that the close of the meeting would be occupied by the consideration of the Russian question. It would be abominable to treat this question from any other than a humanitarian point of view or that the Great Powers should endeavour to estrange themselves from the final misfortune in which Russia was now enveloped. They must not forget that they had fought together with the Russian people in the war. No matter what might be the form of government which the Russians have chosen or are suffering under, it would be very ungrateful for the Allies to turn away their eyes from the terrible sufferings which the Russian people were enduring at the present time. In his opinion, the best means would be to join in the very generous effort which has already begun, in other quarters, through associations of the Red Cross and the relief organisation of the United States of America. The Czechoslovak Government had offered to come forward, and it might be desirable to act through them.

MR. LLOYD GEORGE observed that this was an exceptionally difficult, very urgent and very terrible problem. He was in agreement with all M. Briand had said, and would be the first to admit that the Allies owed a great debt to the Russian people, who were not responsible for the present terrible conditions. For example, the famine conditions were intense in the Samara area, the inhabitants of which had fought on behalf of the Allies partly under Savinkof¹³ and partly under others, and were not in the least responsible for the Bolshevik régime. It was very hard that they should now have to suffer from the effect of that régime. It was very difficult to know how to approach the matter. If private effort could be enlisted it was all to the good, but the conference must not be under any delusion that relief could be afforded that would be in the least proportionate to the distress. There were some 18 million people in want, and the conference would appreciate the amount of relief that would have to be given to touch even an appreciable percentage of that number. It would no doubt be possible to collect so several [sic] million dollars in America, but what was that amongst so many? It would require the miracle of the loaves and fishes over again. Indeed, he was not sure that there was any means of keeping these people from complete starvation. It was a very terrible problem not only from the humanitarian point of view, but in the practical interests of the whole of Europe. Starvation would carry in its train terrible consequences. It might be followed by typhus, cholera and plague sweeping over Europe. The real difficulty was that all Governments disliked to operate with the Bolsheviks. On the other hand, the Bolsheviks were the only controlling organisation of any kind in Russia. They controlled the railways and other forms of transport, and all the officials. It was impossible to work without their consent and co-operation. Supposing that Mr. Hoover¹⁴ were to undertake the task, he must first get

¹³ A former member of the Kerensky Government, M. Savinkov had organised military formations from Russian refugees in Poland: cf. Vol. XI, No. 545, n. 1.

¹⁴ U.S. Secretary of Commerce and formerly chairman of the American Relief Administration and of the Food Section of the Supreme Economic Council.

the consent of the Soviet Government. The same applied to the Red Cross. That was one of the difficulties. It was useless to pass resolutions which would be ineffective. They must first get over the fundamental fact of the control everywhere of the Bolshevik Government. The conference must consider whether they can, without officially recognising the Bolshevik Government, establish for the purpose of dealing with the famine some means of communication. That is a matter which should be investigated. He was told that there was only one way of reaching an appreciable number of the starving population, and that was by securing that such sources of supply as still existed in other parts of Russia should be made available in the famine area, principally the Volga district. He did not see how it was possible to send grain from America. There must be grain in the Ukraine and the Don area, but the difficulty was to get the peasants to part with it. The best means of doing so was to supply them with boots, clothes and other necessaries of which they stood in need on condition that they passed on their surplus grain to the Volga district. He wished it were possible to set up some sort of international committee solely for this humanitarian purpose. Were that done, the Russian people would not be ungrateful. Moreover, he was confident that that was the best way of saving Russia from something almost as bad as the plague—the Bolshevik system. It might be said that that was coming to an end, but he was sceptical as to how soon, and if it did not come to an end in six months, 15,000,000 people would be sacrificed to it. There was therefore no time to make the destruction of the Bolshevik Government a condition of the provision of relief. To sum up, he would like to have an examination of the possible use of any existing machinery in Russia for relief purposes on the understanding that areas having a surplus of grain should help those areas, such as the Volga, which were starving.

SIGNOR BONOMI said he was in agreement with Mr. Lloyd George as to the terrible nature of this problem and the difficulty of solving it. At the same time, he felt that the Red Cross organisation would experience great difficulty in dealing with the Russian people. It was almost impossible to attempt to create an organisation to repeat the miracle of the loaves and fishes. He had no prejudice in this matter against the Soviet Government; indeed, Italy had concluded a commercial agreement with the Soviet Government¹⁵ and were therefore unprejudiced in this respect. As between the various organisations, he thought that the Red Cross was the best from the point of view of organisation, and that the Russian Government would have confidence in them. The fact that the Russian Government was not officially recognised need not stand in the way. He fully agreed that the Russian soldiers having shed their blood in the Allied cause, the Allies could not now desert the Russian people. It was, moreover, in the interests of the whole of Europe to prevent the danger from becoming general. Indeed, it was in the

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¹⁵ A communiqué from Rome, dated Aug. 12, 1921, announced that 'An Italian commercial delegation is shortly leaving Italy for Moscow to carry out a trade agreement which will be signed in a few days.' The Agreement was not signed until Dec. 26/27 midnight: for a summary of its terms, see *The Times*, Dec. 28, p. 8.

political interest of Europe to let it appear clearly that the Bolshevik régime was not an earthly paradise and had now reduced Russia to seeking the help of other countries.

VISCOUNT ISHII said that the Japanese Government entirely shared the deep sympathy which had been expressed with the Russian people in the desire to save them from starvation. If he understood aright, it was proposed to ask the several Governments of the Powers to invite the assistance of various organisations such as the Red Cross.

Mr. Harvey said that the conference could rely upon the American people doing all they could to relieve the starvation. Some time ago the American relief organisation had attempted to work out a plan for future use for the help of Russia. If the information then obtained would be of value to the conference in framing a plan, he would be very pleased to get it, and it could be obtained quickly.

M. JASPAR said he was very glad the conference had included on their agenda the relief of Russia. He agreed that it was not only a humanitarian, but also a great political issue, and one of the most serious that had to be faced. He understood the idea of Mr. Lloyd George was to entrust the matter to some great international organisation. No doubt the International Red Cross would be very useful, but so great was the task that it was beyond the usual means available, and he would like the conference to entrust it to a commission with the task of examining various organisations and getting into touch with various bodies that had worked during the war. He agreed that it was impossible to do without the organisation of the Soviet Government, and, indeed, Belgium afforded unfortunately a precedent that might well be followed. During the four years of the hated German occupation they had nevertheless been able to co-operate with the German organisation in respect of medical relief. Incidentally, they must take care not to mix up the question of medical relief with that of feeding the population. He suggested that the conference should appoint a commission to examine the problem and should take into consideration the steps taken for the relief of famine in India and by the missionaries in China. They should also see what guarantees should be obtained from the Soviet Government that the assistance given would be effectual quite apart from political considerations.

MR. LLOYD GEORGE said that he entirely concurred in what M. Jaspar had said. Some years ago, when Lord Curzon was Viceroy in India, he had had the same problem to deal with on a vast scale. ¹⁶ Some 60 to 70 millions were starving during the worst famine that had occurred for fifty years. Lord Curzon had organised relief on a large scale with very great success, and he thought Lord Curzon could give very valuable information to the conference.

LORD CURZON said he would endeavour to put the case in a few words. The Indian famine had been fought with vigour, and he thought success. The essential conditions of relief were an internal organisation, close supervision, great personal devotion to duty, sympathetic action on the part of

16 Lord Curzon had been Viceroy of India, 1899-1905.

the Government, and a large expenditure of money. On these conditions, and on these conditions alone, could success be assured. Let them not imagine that famine could be fought simply by filling ships with corn and sending them to Odessa or other Russian ports. The corn had to be transported far away into the interior of the country, and there was no means of transport. The railways had almost ceased to exist and the locomotives had broken down. Grain on the wharves of Odessa would never get to the famine area at all; it would probably be eaten on the way by the soldiers of the Red army. What was the real way to deal with the problem? Take the area affected, involving some 20 million people. An organisation should be set up for that area. The area should be divided into various divisions, with machinery for bringing in supplies from outside. It should be divided so as to prevent the accumulations of supplies in one particular place or the accumulation of great starving crowds of many hundreds of thousands of people sweeping the countryside and devastating everything in their path. They must arrange for a limited number of people to be fed in each locality, and the people must also be made to work. In India they have been set to work on embankments and roads, 3,000 here, 10,000 there, and 20,000 there. They must be so arranged that they could be fed locally, and they must be rationed to the minimum amount necessary to preserve human life. Above all, the work must be entrusted to young energetic men, keen on saving life. The support of the Soviet Government was essential. There must also be a great outside organisation working in conjunction with the Soviet Government. It was no good giving $f_{.50,000}$ or any other sum to the Red Cross organisation in London; there must be an international body. The politics of the Russian Government were a matter of no concern where the question was one of saving life. It was a great effort of humanitarian charity and practical organisation. The Soviet Government, if they were wise, would confess that they had no men and must collect the men with the necessary experience. It was impossible to prevent a great loss of life, having regard to the peculiar conditions in Russia. All that could be done was to save a proportion of the starving population; it might be 5 or 10 millions, or more. He warmly welcomed the proposal to have some international body to enquire into and organise assistance.

M. BRIAND said that all appeared to be agreed on the principle of an international organisation to study the problem and find a solution and get in touch with the Red Cross and the United States relief organisations. There would be no one amongst the Powers who would wish to impose political conditions. It would be all the easier, as there was already in Russia a committee composed of representatives of all social classes for the relief of starving people, on the same lines as the international organisations. It should be easy to get in touch with this. He proposed the following resolution:—

'The Supreme Council decides to create a commission for the study of the possibilities of affording urgent relief to the starving population of Russia. 'To realise this relief as much use as possible should be made of the Red Cross organisations, the collaboration should be sought of organisations already created such as the Hoover Committee, and contact should be made with the pan-Russia Committee for the aid of the starving created in Russia at the end of July.'

MR. LLOYD GEORGE asked whether it was necessary in the resolution to give any indication of the agencies to be used. Would it not be better to leave it to the commission to consider the problem and give them a free hand to investigate and report? The committee agreed that the second paragraph of the resolution should be omitted.

VISCOUNT ISHII asked how the committee should be appointed.

MR. LLOYD GEORGE suggested that that should be considered on the following day, and that the delegates should come armed with various suggestions on the matter.

The conference agreed to the following resolution:—

'The Supreme Council decides to create a commission for the study of the possibilities of affording urgent relief to the starving population of Russia.'

(The conference adjourned until 5 p.m. on the following day.)

Hôtel Crillon, Paris,

August 10, 1921.

No. 96

I.C.P. 205A] British Secretary's Notes of a Conversation between the British and French Prime Ministers, held at the Hôtel Crillon, Paris, on Thursday, August 11, 1921, at 10.30 a.m.

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister; The Most Hon. the Marquess Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; Sir H. Stuart; Mr. Waterlow; Sir M. Hankey.

France: M. Briand, President of the Council; M. Loucheur; M. Camerlynck.

(This meeting took place immediately after breakfast, which the French Ministers had taken with Mr. Lloyd George.)

Upper Silesia

MR. LLOYD GEORGE said that he had seen the British experts in company with Lord Curzon last night and had come to the conclusion that the gap between them² was so wide that he did not see how it was to be bridged.

M. Briand said it was not possible to succeed without a great effort at

- 1 Note in original: 'Present for part of the time.'
- ² i.e. between the British and French experts.

compromise being made on both sides. The British and French experts had reached an absolute conclusion of their efforts and could not go any further within the limits of their respective instructions. Consequently, any ground for conciliation must be approached from a political rather than a technical standpoint. He thought that with goodwill some form of compromise might be found.

MR. LLOYD GEORGE pointed out that the French experts were only able to give three coal-mines to the Germans out of a total of sixty-five.

M. LOUCHEUR said that this was not the point of view from which the French started. The coal-mines, it was true, happened to be within the area which they allotted to the Poles, but that was not the point of view from which the question was approached.

MR. LLOYD GEORGE said he had only given it as an example of the extraordinary difficulty he had in approaching towards the French point of view.

M. LOUCHEUR said he would put the matter rather differently. The British and French standpoints were absolute. As one who approached the question quite impartially, he must state that it was impossible for the British or French experts to arrive at figures which could be accepted. The British proposal, for instance, gave 11 per cent. of the Germans to Poland and 65 per cent. of the Poles to Germany. The figures on the French side were just as bad, for they gave 48 per cent. of Germans to Poland and only 23 per cent. of the Poles to Germany. He himself had been studying a solution under which one-third of the Poles would become German and one-third of the Germans would become Poles. His idea was to try and make this fit in with the general scheme. Sir Cecil Hurst had said that in the industrial region the German votes exceeded the Polish votes by more than two to one.3 In the figures of the area which the experts had been considering, that is to say, in the ensemble of the industrial basin, he had added up the figures and found that there were 284,000 Germans against 242,000 Poles. If to these 242,000 Poles were added the 16,000 Poles in the 'corridor' required to connect the industrial region with Gleiwitz, it would make a total of 258,000 Poles, which was not so very much less than the 284,000 Germans. In reply to Mr. Lloyd George, he said that the districts of Pless and Rybnik were not included in these figures.

MR. LLOYD GEORGE said it was necessary to check these figures.

M. LOUCHEUR insisted that they were correct.

(Mr. Lloyd George then sent for Sir Harold Stuart, who, however, was unable to check the figures, and afterwards for Mr. Waterlow.4)

M. Loucheur explained to Mr. Waterlow on the map [? of] the industrial area which had been prepared by the experts,⁵ that he had added up the Polish and German figures and had produced the result that there were 284,000 Germans as compared with 242,000 Poles. He then went through

- ³ Cf. No. 91, p. 615.
- 4 A member of the Central European department of the Foreign Office.
- ⁵ Not attached to filed copy, see Appendix.

the figures in the various districts into which the industrial area had been divided by the experts, and agreed with Mr. Waterlow the following figures:—

					Poles.	Germans.
District A.			•		13,168	37,626
,,	В.	•	•	•	39,456	42,304
,,	${f C}$.	•	•		8,627	4,682
,,	D.	•	•	•	6,212	4,105
,,	Ε.	•		•	10,046	5,78 4
,,	F .	•	•	•	31,356	28,548
,,	G.	•	•	•	12,044	33,569
,,	Gі	•	•	•	2,980	3,242
,,	Η.	•	•	•	10,615	13,388
,,	Ι.	•		•	18,574	36,137
,,	J .	•		•	14,388	4,244
,,	Κ.	•			18,473	38,010
,,	L.	•			25,175	14,386
,,	Μ.	•			4,778	862
,,	Ν.	•	•		4,472	1,685
,,	Ο.	•			(No figures)	(No figures)
Ellgutl	ı .	•	•	•	(No figures)	(No figures)
		Totals			230,364 [sic]	268,572

M. Loucheur explained that the above figures included the 'corridor.' In reply to Mr. Lloyd George he said that if the Myslowitz area was excluded the totals would make 252,000 Germans against 195,000 Poles, giving a 57,000 majority for the Germans. In his opinion, Myslowitz could not very well be taken out.

Mr. Waterlow said that the British experts' opinion was that it could be taken out.

MR. LLOYD GEORGE asked where were the zinc-mines.

M. Loucheur said they were in Area J.

Mr. LLOYD GEORGE asked what would be the effect of giving them to Poland.

M. LOUCHEUR said that the whole of these areas hung together.

M. Briand said their division was impossible.

M. LOUCHEUR said there was a Polish majority in this area. In reply to Mr. Lloyd George he said that if Area J were omitted the figures would be, Germany 248,000 and Poland 180,000.

MR. LLOYD GEORGE said that, according to M. Loucheur's figures, the industrial area would show a German majority of about 30,000.

M. LOUCHEUR admitted this was the case.

M. Briand said it was necessary to remember that it was stated in the treaty that regard was to be paid to the wishes of the inhabitants as shown by the vote, and, secondly, to the geographical and economic conditions of the region. Geographically and ethnologically the eastern part of Upper

Silesia was Polish, but there was within it an enclave in which the majority was German. In a spirit of conciliation the French Government had agreed to examine the position of this enclave. The British Government had asked them to isolate it from the remainder of the region, and they had agreed to examine it in isolation. It was necessary, however, to take into account the ensemble of the whole region. If enough of this generally Polish region was excluded, you reached a German mass in an industrial enclave. This enclave had been examined by the French Government in a spirit of conciliation. The fact was that if the region were considered as a whole, it was a Polish mass with a coterminous boundary with Poland, in the middle of which was an industrial mass containing a German majority and a mining mass in which the Poles were in a majority. In a spirit of compromise the French had agreed to leave Pless and Rybnik out of this examination, but, even so, the industrial region was an enclave in a Polish district.

MR. LLOYD GEORGE said that if this argument was to be used he could say that the whole of Upper Silesia was German, and that the total vote had been heavily in favour of the Germans. It was not only the French Government that had been ready to compromise.

M. Briand pointed out that the treaty expressly laid down that Upper Silesia was to be divided, and the jurists had reported that the plebiscite could not result in the allocation of the territory *en bloc*; there must be some division.

MR. LLOYD GEORGE then read paragraph 5 of annex 1 to article 88 of the Treaty of Versailles, which, he pointed out, did not mention any division.

M. Briand pointed out that the jurists had made it quite clear that division was inevitable.6

MR. LLOYD GEORGE said he had not wished to press the point. It was only his reply to M. Briand's remark that it was the French Government that had made concessions. He had to show that the British Government had done so also.

M. Briand said he based himself on the report of the jurists, who had been agreed on the principle, first, of a division of the territory and, second, that there was a German bloc on the west of Upper Silesia which should go to Germany, and, on the east side, a Polish bloc which, broadly, should go to Poland. But the point he wished to emphasise was that in regard to the German enclave within this Polish region the French had made a concession by allowing it to be examined separately. The second concession which they had made was in isolating the northern part of the region and examining it separately. Therefore, they had made two very considerable concessions.

MR. LLOYD GEORGE pointed out that the southern part, namely, Rybnik and Pless, consisted mainly of wild forest country.

MR. WATERLOW said that Rybnik and Pless contained the coal reserves of the future.

M. Briand recalled that the German High Commissioner for Upper Silesia, when pleading the case of Germany, had contended that it was ⁶ Cf. No. 91, speech by M. Fromageot on pp. 611-13.

impossible to separate Kattowitz from Pless and Rybnik. That had been his contention, yet the French Government in a spirit of conciliation had agreed that it could be separated. That was a considerable concession.

MR. LLOYD GEORGE pointed out that he had made the suggestion that Areas J and L on the map should be attributed to Poland as well as Area M, the three areas comprising a total of nearly 70,000 voters. This area also included the whole of the zinc-mines.

M. Briand said that, according to the experts, all these areas were intimately bound up together.

MR. LLOYD GEORGE said that if M. Briand insisted on that, he was using an argument against the British making this concession. If every time he tried to meet M. Briand he was to be told that because he gave up one region he must give up another, it would mean an end of the negotiations.

M. Briand said he had not suggested that. If a compromise was to take place it could not be effected piece by piece. They were in the presence of a complex and difficult problem, which was clear to anyone. He was convinced that agreement could only be reached by concessions on both sides, and he himself was ready to go beyond what his political position permitted in order to reach an agreement. The spirit of the treaty was to allot the territory according to the wishes of the inhabitants, and they must try to work it out proportionally. If they could find figures that would balance, then they would reach a solution.

MR. LLOYD GEORGE said that up to the present all the concessions had been on the British side, who had offered to concede 70,000 Poles.

M. Briand said this was not the case. The French original proposal had been very greatly reduced, but had still left a Polish majority. It had then been reduced again. Afterwards the French Government had accepted to examine the mining basin apart from the Polish region to which it was attached. They had conceded 146,000 Poles to the area they attributed in their scheme to Germany. He had gone further than he ought in a spirit of conciliation, and he was willing to go very far and take great responsibility, but it was extremely difficult to go any further than he had done.

MR. LLOYD GEORGE said that all this was very vague. He asked M. Briand what line he proposed.

M. Briand said that, going further than he felt justified in doing, he thought he could include in the German area Zabrze, a place which had for a long time actually been under Polish administration.

MR. LLOYD GEORGE said that this appeared to be giving places to the Germans which already had a large German majority. Beuthen, for instance, had a German majority of two to one. Königshütte had only 12,000 Poles and 23,000 Germans. Kattowitz had 18,000 Poles and 26,000 Germans. Were these concessions that M. Briand was making gifts to the Germans? He had sent M. Briand a note on the previous evening saying it was no use discussing the question on this sort of basis, and that was still his view. The Italians, who, like the British, had no direct interest, took exactly the same view as the British experts. To-day he himself had gone beyond what these

experts had advised, and was willing to give up 70,000 Poles as a concession. The French proposals were merely that great German communes like Beuthen, Königshütte and Kattowitz should go to Germany. It was no use discussing this.

M. Briand said he would like to ask very loyally and sincerely what the authors of the treaty had wanted to arrive at? Did they wish 15 per cent. of the Germans to go to Poland and 60 per cent. of the Poles to go to Germany? This seemed to him excessive.

MR. LLOYD GEORGE said that, as Sir Harold Stuart had pointed out, this was not a sound argument. Supposing in every commune there had been 60 per cent. of Germans and 40 per cent. of Poles, which was the aggregate result, Poland would have received nothing at all. The Polish communes should be given to the Poles as far as possible and the German communes to the Germans; but minorities here, as elsewhere, must take their chance. He said he had not yet had time to consult his experts on the subject, but he wondered if District H could be divided. The British and Italian proposal allotted this to Germany, but he noticed that in it there were two railway lines; the southern of the two was necessary to make a connection with Beuthen, and should remain German, but the northern appeared to be a special line serving the zinc mines. He thought it might be possible to divide this district, attributing the part containing the railway to the zinc mines to Poland. He would be willing to discuss this.

M. Briand said he must consult his experts.

MR. LLOYD GEORGE said the same applied to him. There was a German majority in the commune, but he would like to know if it were possible to divide it.

M. Briand said the time had now come when it was necessary to start for Rambouillet to luncheon with the President.

Some discussion took place as to whether perhaps the President would not be willing to allow the present very important conversation to proceed, but, in view of the shortness of the time available, it was decided that it would not be possible to ask the permission of the President to disorganise his arrangements by such a request.

Hôtel de Crillon, Paris, August 11, 1921.

(A.J. 298.) Appendix to No. 96

Second Report of the Committee of Experts on the Upper Silesia Frontier Question

On the 9th August the committee received the following instructions from the Supreme Council.

The committee decided as a preliminary result that the communes grouped in the various blocks indicated on the annexed map⁸ constituted in each case a group which for economic and topographical reasons could not be divided. The groups are marked with the letters A, B, &c., up to P.

⁷ The omitted paragraph was the same as No. 92, Appendix (p. 639).

⁸ Not annexed to filed copy.

Of the groups thus marked out, some have a Polish majority, others a German majority. The results of the voting in each group are indicated in Annex I.

The committee proceeded to study the economic situation peculiar to each of the groups. The results of this examination are embodied in the memorandum appended as Annex II.

Finally, the committee examined the relations existing between the various groups from the economic point of view, and also the railway communications in this area. As regards these matters, agreement was reached on the general observations submitted in Annex III.

As the result of these investigations, the committee reached the unanimous conclusion that the frontier, however drawn, should not cut across any of the groups thus marked out.

On the other hand, the committee took note of the fact that the various groups are connected with one another by bonds of variable importance according to the particular case.

The committee was unable to reach a unanimous conclusion as to the extent to which these bonds constitute an obstacle to the tracing of a frontier which would divide one or more of the above-mentioned groups from one another.

Annex i	TO.	Appendix	то	No.	a 6
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			<i>5</i>		
A	–Gleiwitz]	Polish.	German.
	Polish.	German.	Zaborze	6,051	8,851
Laband .	. 1,683	1,332	Karchowitz	155	52
Niepaschutz .	• 349	-533- 72	Boniowitz	41	27
Richtersdorf.	. 1,179	775	Wieschowa	1,265	221
Ostroppa .	. 940	648	Sossnitza [Sosnitza]	1,563	1,058
Schönwald .	• 35	2,219		39,456	42,304 [sic]
Ellguthzabrze	. 424	551		33373	4-33-4 [c.c]
Gleiwitz .	. 8,558	32,029			
				\mathbf{C}	
	13,168	37,626	Í	_	
			Paulsdorf	1,443	1,394
В	–Zabrze		Kunzendorf	1,584	949
	•		Bielschowitz	4,546	1,874
Priskretscham [Pei			Hakoschau [Makos-		
kretscham]	. 895	2,503	chau]	1,054	468
Zawada .	. 138	59		8,627	4,682 [sic]
Sersho	. 287	138		-,,	4,002 [010]
Schechowitz .	. 465	114			
Preschlfbie .	• 353	85		D	
Ziementzitz .	. 296	132			
Schwientoschowitz		50	Ruda	6,212	4,105
Pilzendorf	. 684	103			
Rokittzitz .	. 1,424	334		_	
Bschyschowka	. 164	22		E	
Schalscha .	. 136	78	Antonienhütte .	2,634	2,851
Schakanau .	. 376	98	Friedrichsdorf .	841	353
Mikultschütz.	. 5,691	2,059	Neudorf	2,935	1,438
Zernik	. 760	387	Kochlowitz	3,364	968
Matthendorf.	523	363	Baerenhof	3,304 272	171
Bishupitz [Biskupitz	3 0,	4,275	220.0		
Zabrze	. 14,837	21,233		10,046	5 ,7 81

	F			1	J	
		Polish.	German.		Polish.	German.
Bobrek	. (10	G 137 C 2,548	Deutsch Pikar Scharley .	. 4,697 · 3,915	728 1,963
Schomberg .	. `	1,996	702	Brzozowitz .	. 991	189
Orzegow .	. (•	Kamin .	. 996	159
<u> </u>	(2,857	C 1,345	Birkenhain .	. 1,910	852
Hohenlinde .	•	3,391	2,405	GrDombrowka	. 1,879	353
Schlesiengrube		2,583	1,345		14,388	4,244
Lipine		5,319	4,053		14,300	4,244
Schwientschlowitz	•	5,882	6,340		K	
Bismarckhütte	•	4, 65 5	8,341		12	
		31,356	28,548	Domb	. 3,924	3,344
		J -,555	,54-	Bogutschutz .	. 6,783	5,189
	G			Kattowitz .	. 3,900	22,774
Vanimbass	_	 .	CC.	Zalenze .	3, 866	4,703
Königshütte . Neu-Heiduk .		10,764 1,280	31,664 1,905		18,473	36,010
		12,044	33,569		L	
G bis			Eichenau .	. 3,033	1,754	
	G vi	_		Rozdzin .	. 3,396	2,671
Chorzow .	•	2, 980	3,242	Schoppinitz .	. 3,568	1,458
				Janow	. 2,044	483
	H			Myslowitz .	. 4,528	5,827
Baingow .	•	384	90	Gieschewald.	. 3,056	1,150
Michalkowitz		1,542	1,025	Brzenskowitz.	. 1,198	34 9
Siemianowitz		4,232	5,441	Birkental .	. 2,362	823
Bittkow .	•	1,376	672	Warssola .	• 437	15
Laurahütte .	•	3,081	6,160	Kosztow .	. 804	86
		10,615	13,388	Krassow .		
	т				25,175	14,386 [sic]
	I				M	
Beuthen .	•	10,101	29,890			
Karf	•	2,137	938	Radzienkau [Rad		0.0
Rossberg .	•	6,083	4,919	zionkau] .	· 4,778	862
Przelaika .	•	465	99		3.7	
Paczelowitz .	•	253	390		N	
		19,039	36,236	Miechowitz .	. 4,472	1,685

Annex II to Appendix to No. 96

Economic Synopsis for Each Group

Zone A.—Gleiwitz

- 1. Coal.—The coke produced at Gleiwitz goes to zone B (Zabrze). Out of 3,200,000 tons of coking coal in Silesia 1,400,000 alone are used in Silesia in the form of coke.
- 2. Water.—The water for zone A comes from Laband, but zone A can get some water from Zawada.
 - 3. Zinc.—Zone A is not interested.
- 4. Railways.—At Gleiwitz there is a large sorting station and an important group of repairing sheds.

Zone B.—Zabrze

- 1. Coal.—Zone B also produces coke, but of inferior quality to that of zone A (see I in zone A above). It sends coke to the other zones which also use 1,700,000 tons of coke from Rybnik, which is better from the metallurgical point of view.
- 2. Water.—The water for zone B comes from Zawada and for Zabrze there is a special new pipe.
 - 3. Zinc.—Zone B is not interested.
- 4. Railways.—Zone B includes three sorting stations—Biskupitz, Peiskretscham and Sossnitza.

Zone C

- 1. Coal.—Coke works. Two mines of coking coal. The coke produced at Mako[s]chau is distributed practically everywhere. Zone C produces less coking coal than zone B.
- 2. Water.—Zone C gets its water from Tarnowitz, but could get it from Mikult-schütz (Donnersmarckhütte Mine), which is in zone B. This source will very probably be exhausted by 1925.
- 3. The railways of zone C link it up with the districts to the south and with zone E to the east.

Zone D.—Ruda

- 1. Coal.—There are five coal-mines capable of producing the coke which is made in the zone itself and which is primarily used in the factories of this zone.
- 2. Water.—Comes from Zawada or from Tarnowitz, according to its destination.
- 3. Railways.—These radiate in all directions towards the east and the south, but zone D is not a centre.
 - 4. Electricity.—Local supplies suffice.

Zone E.—Antonienhütte

- 1. Coal.—Two coal-mines not suitable for the manufacture of coke.
- 2. Zinc.—Five zinc works treating the zinc at different stages. The zinc ore comes from the north-east from Beuthen and Tarnowitz.
 - 3. Water.—Drawn from local sources.
- 4. Railways.—These connect the zone with the south-east, the west and the north, i.e., with Pless and zones C and D.
- 5. Electricity.—Supplied locally. The zone is independent from this point of view.

Zone F.—Lipine

- 1. Coal.—Ten coal-mines suitable to a small extent for the manufacture of coke.
- 2. Zinc.—Three factories. The zinc comes from Beuthen and Tarnowitz. Four very important iron and steel works.
- 3. Water.—Comes from Tarnowitz.
- 4. Railways.—Two large junctions at Bobrek and Morgenroth.
- 5. Electricity.—The zone contains two private electrical installations which render it independent.

Zone G.—Königshütte

- 1. Coal.—Three coal-mines which cannot be used for coke. One ironworks, the most important in Upper Silesia. The coke comes from Rybnik where the company owning the ironworks also owns the mines which produce the coking coal suitable for its needs.
 - 2. Water.—Comes from Tarnowitz and Zawada.
- 3. Railways.—Königshütte is a large railway centre (the line from Beuthen to Kattowitz). There are railway repairing sheds belonging to the ironworks.
- 4. Electricity.—The works use a local supply. The supply for public services comes from Chorsow.

Zone H.—Slemianowitz [Siemianowitz]

1. Coal.—Four coal-mines (not coking coal). Two of these mines belong to the zinc works and two to the ironworks (same company as the Königshütte works).

The coke comes from Rybnik where the mine belongs to the works.

There is a large metallurgical works at Laurahütte which is linked up with Königshütte and gets part of its pig-ore therefrom.

Two other metallurgical works at Laurahütte (finishing works).

Two zinc works, one supplementing the other. They get their coal locally in the zone and their zinc-ore from the district east of Beuthen.

- 2. Water.—Comes from Przelaika.
- 3. Railways.—These link up the zincworks of the zone with the mines in the district east of Beuthen, and also assure communication between the zincworks and the works in the Michal[k]owitz zone. They are doubled with narrow gauge lines.
- 4. Electricity.—This is the only zone in Upper Silesia where the mines have not got a sufficient supply of electricity from their own power stations. They have to draw on Chorsow and Bobrek for power.

Zone I.—Beuthen

1. Coal.—One mine, and one part of a coal-mine (not coking) which is the deepest in Upper Silesia.

No factories. One zinc-mine (old and poor). One zinc-mine which is not complete since the washing plant (to separate the lead from the zinc) is in the neighbouring zone J.

- 2. Water.—The zone has two sources of its own. It can also draw water from Przelaika on the east, from Zawada on the west, and from Tarnowitz on the north.
- 3. Railways.—Important centre. The zone is in reality all one large railway station.

Zone J

- 1. Coal.—One mine (not coking).
- 2. Zinc.—Eight zinc, lead and silver mines of which one is the richest in lead of Silesia (Scharley).

Scharley belongs to the same company as the works of zone L. It is the only mine which does not send its lead-ore to Friedrichshütte, the lead works situated to the north-west of Tarnowitz.

There is one zincworks which possesses a feudal right to a tithe of the ore of all the zinc-mines except Scharley. It roasts the 'blend' (a kind of sink-ore [? zinc-ore]) of which the greater part is then sent to the Antonienhütte to be worked up.

- 3. Water.—Comes from Przelaika and Radzionkau.
- 4. Railways.—No main line. One narrow guage [sic] line connecting Scharley with zone H and with a branch going to Kamin.
 - 5. Electricity.—Comes from Chorzow.

Zone K.—Kattowitz

1. Coal.—Three coal-mines (not coking).

One zincworks drawing its ore from Beuthen and Tarnowitz. No factories. Four metallurgical finishing works which get their pig-iron from F and D (Lipine and Ruda).

- 2. Water.—Comes from Przelaika.
- 3. Railways.—This is the railway centre for the southern part of the industrial area. The main line from Berlin to Cracow passes through it. Contains a railway station indispensable for communications between the north and the south and between the south and the east.

Zone L.—Mylaowitz [Myslowitz]

1. Coal.—Five coal-mines (not coking).

No zinc-mines. Seven zincworks. One lead and silver works. All these works depend on Scharley.

- 2. Water.—Comes from Przelaika.
- 3. Railways.—The same railway system as for Kattowitz. There is a narrow-gauge system belonging to the zincworks and linking them all together, which is in its turn linked up with the narrow-gauge lines coming from Scharley.
 - 4. Electricity.—Comes from Chorzaw [Chorzow].

Zone M.—Radzionkau

1. Coal.—One coal-mine (not coking).

No factories.

- 2. Water.—One boring. The zone is further linked up with the water supply from Tarnowitz.
- 3. Railways.—The line from Beuthen to Tarnowitz passes through this zone and has a more than local importance, since it assures communication between the industrial region on the one hand and Tchentochow and Posnania on the other hand (heavy traffic in iron-ore and pit props).
 - 4. Electricity.—Comes from Chorzow.

Zone N.—Miechowitz

- 1. Coal.—One mine yielding coking coal which is turned into coke in zone F at Hohenminde where it feeds an ironworks belonging to the same company.
 - 2. No factories.
 - 3. Water.—Comes from Zawada.

Annex III to Appendix to No. 96

General Considerations as to the Relations between the Groups

Coal

The coking coal of the central mining basin occurs in the following small zones, A, B, C, D, F.

The best quality of coking coal occurs in zone A.

Coke

The coke works which export their coke (that is to say, those which do not manufacture coke only for the works which belong to them) are situated in zones B and C.

Generally speaking, coking coal occurs in the south-west and west of the mining basin taken as a whole.

The part of the territory contained in zones E, G, H, I, J, K, L, M, contains no coking coal. Metallurgical concerns in this territory are dependent for their coke on the other parts of the territory where it occurs.

Water

The water supply occurs towards the north.

In the north-west at Peiskretscham (Zawada), north-east Tarnowitz, and east at Rosaliengrube near Przelaika.

The latter is important for zones H, I, J, K, L, while the two other waterworks supply respectively:—

- 1. Peiskretscham, the zones A, B, D, I, N.
- 2. Tarnowitz, the zones C, D, F, G, I.

Zones which are independent of the above sources of supply are E, I, M.

The central industrial area is already suffering from a severe shortage of water. The principal sources of supply, and the only reserves which can be tapped, exist in the Dalamite [Dolomite] formations to the north between Malapane and Tarnowitz.

The existing wells in the central industrial area itself are rapidly becoming exhausted owing to mining operations, and for this reason it would be impossible to provide a sufficient supply from new wells sunk in the central industrial area.

Electricity

There are in Upper Silesia two principal generating stations, Chorzow and Zaborze.

Zaborze supplies chiefly zones A, B, C.

Chorzow supplies chiefly zones G, H, I, J, K, L, M.

The other zones D, E, F, supply their own current, and the tension of their current synchronises with that of the two chief power stations.

Zinc

The zinc region (mines and zincworks) includes the eastern point of the industrial triangle from East Beuthen (zone J) to Antonienhütte (zone E), and to the Lipine salient (zone F), traversing H, K, L.

Railways

Generally speaking, one can say that the whole of the industrial triangle is one large railway yard.

The principal sorting stations are Gleiwitz and Borsigwerk.

The secondary sorting stations in order of importance are:—

Sosnitza, Peiskretscham, Tarnowitz and Idaweiche. Besides this there are two important junctions at Bobrek and Morgensoth [Morgenroth].

The railway lines essential to the industrial life of Upper Silesia (iron and coal) are:—

- 1. The line Gleiwitz-Cosel reinforced by the Klodwitz Canal.
- 2. The line Gleiwitz-Zabrze-Oppeln with the junction of Laband, which is auxiliary, but of first-class importance.

The principal export lines are:-

- 1. Towards Germany the two lines Kattowitz, Gleiwitz, Kandorzin [Kandrzin], and the line Kattowitz-Gross-Strelitz-Oppeln.
- 2. Towards Poland:-
 - (a) Idaweiche-Myslowitz, Sosnowitz.
 - (b) Idaweiche-Dziedzitz.
 - (e) Tarnowitz-Kreuzburg with the junction at Herby.
- 3. Towards the south, Czechoslovakia, Hungary, Austria, Italy, the lines:—
 - (d) Gleiwitz (Kattowitz), Rybnik, Oderberg.
 - (e) Gleiwitz-Kandrzin (Cosel), Oderberg.

No. 97

I.C.P. 205B] British Secretary's Notes of a Meeting held in the French President's Château at Rambouillet on Thursday, August 11, 1921, at 3.15 p.m.

PRESENT: M. Millerand, President of the French Republic (in the Chair).

British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister; The Most Hon. the Marquess Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; Sir M. Hankey.

France: M. Briand, President of the Council; M. Loucheur; M. Camerlynck.

Upper Silesia

MR. LLOYD GEORGE explained to the President that the present difficulty, apart from statistics, arose from the fact that France wished to give as little of the Upper Silesian territory as possible to the Germans, since naturally she did not want to see a strong Germany. On the other hand, public opinion in Great Britain was apprehensive of starting a fresh Alsace-Lorraine, which might cause a new war. British opinion felt that if Germany was badly treated she would want to start a fresh war again. That was the fundamental difficulty. It was necessary to find some compromise that would give satisfaction to French opinion without alarming British opinion, to say nothing of Italian opinion.

M. MILLERAND said that, as regards French opinion, it did not differ from British very greatly. The difference was that French opinion, although without doubt not oblivious to the question of security, nevertheless was mainly preoccupied lest there should be created a Polish Alsace-Lorraine. It was the same preoccupation as in England, but the other way round.

MR. LLOYD GEORGE agreed, and accepted this basis. Therefore, what he wanted was not to hand over to Poland communes containing a large German population, nor to hand over to Germany communes containing a large Polish population. If a solution could be arrived at which did not do this, the question would be solved. That was what he and M. Briand had been trying to do that morning. He and Lord Curzon had made a number of concessions in this direction, but (humorously) he wished to report formally to the President of the Republic that M. Briand was making no concessions at all. He had come here to complain to the President of the Republic!

M. Briand said this was really not fair play.

M. MILLERAND said that M. Briand reported that Mr. Lloyd George was making no concessions!

M. LOUCHEUR at this point produced his map.

MR. LLOYD GEORGE said that he had offered to give up the districts marked J, L and M, and, just as the meeting that morning was breaking up, he had proposed that they should examine the possibility of dividing the district marked H.

M. LOUCHEUR explained that the object of this was to give to Poland the special railway serving the zinc-mines.

LORD CURZON explained that this suggestion had been made, notwithstanding that the district marked H contained a large German majority.

MR. LLOYD GEORGE said that, in spite of this, they had been willing to consider whether it would be possible to hand it over.

M. LOUCHEUR explained the nature of the French concession, which included Zabrze and Gleiwitz. He said that when the totals of Germans and Poles were added up under this scheme they nearly balanced.

MR. LLOYD GEORGE explained that the portion the British Government wished to allot to the Germans consisted of a fully-developed coal area. The portion that they proposed to give to the Poles contained great potential resources in coal; that is to say, they offered the future to Poland. This morning they had added to this the zinc-mines. Therefore, they had attributed to Poland the future of the coal output as well as the zinc-mines. They also proposed to give them the Myslowitz area, which, however, he agreed, contained a Polish majority. This morning, in addition, the British representatives had expressed their willingness to examine giving up a part of the district marked H, although there was a German majority of 3,000 there. They could not, however, make all these concessions and get nothing in return.

M. Briand asked that his concessions should be taken note of. Mr. Lloyd George took no account of concessions which he had made earlier on. He wished to ask Mr. Lloyd George one question. Supposing the whole matter were reversed and the industrial enclave had been created by Polish industry and Polish effort, and was surrounded by a mass of German population, would not Mr. Lloyd George then have thought it a great concession to take the industrial area out of the mass and to consider it in isolation?

¹ See No. 96.

It was, in fact, an immense concession. They had not only isolated it from the Polish region, but also from the rest of the industrial basin. They had also agreed to give them a corridor containing 18,000 voters. These were very important concessions, and if Mr. Lloyd George had made them he would have boasted of them in magnificent language.

Mr. Lloyd George said that, supposing the Polish enclave contained an enormous majority of Poles, and even after the corridor connecting it with Poland had been added the majority was still Polish, he would be only too glad, in the reverse conditions postulated by M. Briand, to give it to Poland. He had no desire whatsoever to strengthen German industry, for Great Britain knew perfectly well that Germany would soon become a formidable competitor. Even now Great Britain was far more afraid of the Germans industrially than of the United States of America. At this moment a Bill was passing through Parliament enabling Great Britain to exclude certain classes of German goods.² From an industrial point of view, he would much rather the district went to Poland. He knew, however, that if injustice were done there would be war in this region within ten years. In a very short time the German statesmen of the type of Herr Wirth would be swept away. If you gave places like Kattowitz, Bismarckhütte and Königshütte to the Germans [? Poles], why, the very names would be a constant incitement to Germans, and war would be inevitable within ten years. That was why, not only in British interests, but in French interests, and in the interests of the peace of Europe, Great Britain did not want to attribute these regions to Poland. For industrial reasons, also, there was something to be said against giving it to the Poles, because the Poles would not make very much of it. This morning he had added nearly 80,000 voters to the region to be attributed to Poland. This probably was equivalent to from 160,000 to 200,000 persons as distinct from voters, and was a very great concession, apart from earlier concessions.

M. LOUCHEUR said that the French line conceded 145,000 voters to Germany.

LORD CURZON pointed out, however, that the population of the district was overwhelmingly German.

M. LOUCHEUR said that if the out-voters were left out of account there was not a very great German majority.

MR. LLOYD GEORGE said that he and M. Loucheur were both old electioneerers, and knew perfectly well that if the voters who had settled in a district for the last seventeen years were left out it would make a very great difference. No one who had entered the plebiscitary area since 1904 had the right to vote, although the greatest industrial development had been since 1904.

M. LOUCHEUR said he did not want to prolong the discussion, but he wished to mention to Mr. Lloyd George a point which he thought his experts probably had not told him of, namely, that in 1900 the German Government had passed a law called the 'defaulters' law,' which compelled

² The reference is to the bill which became 'The Safeguarding of Industries Act, 1921'; for the text see B.F.S.P., vol. 114, pp. 118-26.

Polish workmen to pass three months out of every year in Poland, so as not to acquire the right to vote. They did this so as to avoid any increase in the Polish membership of the German Reichstag; that is to say, a very considerable number had never been allowed to vote. What he was afraid of was the political results if this region were attributed to Germany. He feared there might be very serious trouble.

LORD CURZON said this was not the British or Italian opinion.

MR. LLOYD GEORGE said that neither General Marinis nor Sir Harold Stuart, nor Colonel Percival had been of this view. He again recalled that it was the fully-developed areas that were being given to Germany and the future to Poland. This morning he had agreed to a population of 200,000 being made over to Poland. Moreover, the Poles would have more than half the mines; in fact, thirty-three out of sixty-five, although he admitted that some of the thirty-three might be small mines. Finally, he had conceded the whole of the zinc-mines to Poland. It was really impossible for Lord Curzon and himself to go beyond this.

LORD CURZON pointed out that in fifty years the mines attributed to Germany would be worked out, and the Polish coal area would then be developed.

MR. LLOYD GEORGE said it was necessary to add the mines in area H to those to be attributed to Poland. This must be examined with the experts.

M. LOUCHEUR said that he also wanted to examine the proposition with the French experts from an economic point of view. He pointed out that the coke furnaces in the industrial area could not live without coke from Rybnik.

MR. LLOYD GEORGE said his impression was that the coke came from some other area.

LORD CURZON pointed out that the British and Italian experts, who knew the whole district, said the British scheme was a workable one.

MR. LLOYD GEORGE said that he had wanted to convince the President of the Republic that he had really made a great effort to meet the French Ministers. He had done this because he attached so much importance to keeping the *Entente* together.

M. MILLERAND said he would simply like to observe one thing. Mr. Lloyd George had rightly stated his desire not to create an Alsace-Lorraine, whether for Germany or for Poland. Mr. Lloyd George proposed the ethnic point of view. If the industrial zone as a whole (not merely the 'triangle') were taken, it would be found that it contained 359,000 Poles, with a majority of 20,000 over the Germans. The whole of this district was coterminous in its frontiers with Poland. At first, from a technical point of view, it seemed right to give this district to Poland and the remainder to Germany. He fully recognised the concessions which the British Government had made. He begged Mr. Lloyd George, however, not to forget that the French Government had also done its best to meet the solution proposed by the British Government. Inspiring itself by the same conciliation as Mr. Lloyd George, it had been ready to envisage leaving to the Germans a great penetration into the Polish zone. Leaving the ethnical question, the French Government had been

ready to contemplate a solution which, if the French scheme were accepted, would involve a certain sacrifice of German private interests. The French Government, however, were willing to adopt very full measures to safeguard the rights of German individuals. To sum up, the French Government had taken ethnical considerations into full account, as well as the industrial interests, and, finally, the interests of individuals. He thought on these lines it ought to be possible for a basis to be found for a solution in which no one would be sacrificed.

M. LOUCHEUR said that he felt they ought now to leave in order to consult the French experts.

MR. LLOYD GEORGE said that he had arranged to see the Italian delegation. He felt he had no right to make concessions without consulting the Italian Prime Minister. He had told the Marquis della Torretta that he wished to make certain concessions, but wanted Italian assent, as the Italians had taken the same view as the British Government in this matter.

(The meeting then adjourned.)

Hôtel Crillon, Paris, August 11, 1921.

No. 98

I.C.P. 2050] Notes of a meeting between the British and Italian Prime Ministers held at the Hôtel Crillon, Paris, on August 11, 1921, at 4.45 p.m.

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister; The Most Hon. the Marquess Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; Sir E. Grigg.

Italy: Signor Bonomi, President of the Council; Marquis della Torretta, Minister for Foreign Affairs; Signor Galli.

Upper Silesia

THE PRIME MINISTER explained the frontier proposed by the British Government in the industrial area showing the concessions which were being made to the French Government in the hope of a settlement.

It was decided that the railway between Tarnowitz and Beuthen should remain entirely inside the German frontier.

SIGNOR BONOMI agreed definitely to the British proposals as modified by the Prime Minister's explanation; that is, giving districts C and B and the town of Ellguth to Poland.

(The conference closed at 5.15 p.m.)

Hôtel Crillon, Paris, August 11, 1921.

I.C.P. 205D] British Secretary's Notes of a Meeting between the British and French Prime Ministers held at the Hôtel Crillon, Paris, on Thursday, August 11, 1921, at 6 p.m.

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister; The Most Hon. the Marquess Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; Sir M. Hankey; Sir E. Grigg. France: M. Briand, President of the Council; M. Loucheur; M. Camerlynck.

1. Mr. Lloyd George's Departure

MR. LLOYD GEORGE said that he had had information to the effect that the Irish situation was more acute, and this would probably necessitate his leaving Paris on the following day.

2. Upper Silesia

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M. Briand said that at the morning meeting² he had spoken of the number of coal-mines, and of the industrial solidarity of the coal basin according to the experts. M. Loucheur would have something to say on each point.

M. LOUCHEUR said he had only had a few minutes within which to check the figures. There were two points on which he had checked them. The first related to the number of mines which would fall to Germany under the French agreement. According to the calculations of the French experts, the Germans would obtain eleven instead of three mines.

The second point related to the British proposals. Instead of Poland obtaining thirty-three mines, as Mr. Lloyd George had said,³ the French experts calculated that only twelve mines out of the sixty-seven would fall to Poland.

(Mr. Lloyd George sent Sir Edward Grigg⁴ to ascertain what the British experts had to say on this statement, and Sir Edward Grigg returned with the reply that the thirty-three mines which Mr. Lloyd George had reported would be contributed to Poland under the British scheme included the existing mines in the districts of Rybnik and Pless.)

M. Loucheur said that the reason why the mines had not been developed in the Rybnik and Pless districts was that there was a rift in the seam which caused the coal to drop to a depth of 600 ft.

LORD CURZON observed that the best seams were always worked first, and that when these were worked out the worst seams could be developed successfully.

In a letter of Aug. 10, Mr. de Valera, President of the Irish Republican party (Sinn Fein) had confirmed that he and his colleagues could not accept H.M.G.'s proposals of July 20 for an Irish settlement; see Cmd. 1502 of 1921, No. 2.

2 See No. 96.

MR. LLOYD GEORGE pointed out that most of the coal seams were in Poland, but had never been developed.

(There was some discussion on [? at] this point as to the suitability of the Poles for developing an industrial area.)

Mr. Lloyd George then set forth to M. Briand the figures of the British proposals, which are given in Appendix A.⁵ Subsequently, he gave a detailed explanation of these proposals on a map.

(Mr. Lloyd George then instructed Sir Edward Grigg, in consultation with the British experts, to prepare a map showing the British proposals.

After an interval, Sir Edward Grigg returned with the map, and Mr. Lloyd George handed to M. Briand and M. Loucheur a map comparing the latest British proposals with the original Percival-Marinis line.⁶)

M. Briand said he had summoned the French Council of Ministers for 9 o'clock for the following morning, and he would hope to arrive at the Hôtel Crillon at, or soon after, 10 a.m.

MR. LLOYD GEORGE said he would probably have to leave by the train at noon. He wished to have a final word with M. Briand. He had not tried to haggle or barter in regard to this matter. He and Lord Curzon had made up their minds to give everything they could, and to make every concession to the French point of view. They could not give more without cutting into strong German communes, and that they felt was impossible. He hoped that M. Briand and M. Loucheur would feel that. There was nothing else that he and Lord Curzon could do without causing mischief. As it was, the original British proposal had been cut to pieces.

M. Briand said that the question would be examined by the Council of Ministers on the following morning in the broadest spirit of conciliation.

(The conference adjourned.)

Hôtel Crillon, Paris, August 11, 1921.

5 No Appendix was attached to the filed copy.

⁶ i.e. the boundary suggested in the majority report of the Plebiscite Commission of April 29; see No. 91, n. 12.

No. 100

1.C.P. 205F] Notes of a Conversation between the British and Italian Prime Ministers and Foreign Ministers at Dinner, at the Hôtel Crillon, Paris, on Thursday, August 11, 1921, at 8.15 p.m.

PRESENT: Great Britain: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister; The Most Hon. the Marquess Curzon of Kedleston, K.G., G.C.S.I., G.C.I.E., Secretary of State for Foreign Affairs; Sir Maurice Hankey, G.C.B.; Sir Edward Grigg, K.C.M.G., C.V.O.

Italy: Signor Bonomi, Prime Minister; Marchese della Torretta, Foreign Minister; Signor Brambilla.

(These Notes are written entirely from memory)

The Italian Delegation had sent beforehand a list of detailed questions which they wished to discuss (See Appendix). In fact, however, the conversation covered a much wider field than was contemplated in their list. Although the Marchese della Torretta succeeded in securing some private conversation with Lord Curzon on some of these detailed matters, he had in the main to be content with Lord Curzon's assurance that these questions were a subject for discussion between the Foreign Office and the Italian Ambassador in London, whom Lord Curzon described as a capable and energetic exponent of Italy's case.

Italian and French Population

On the general subject of Italy's future the ITALIAN PRIME MINISTER expressed considerable satisfaction at the fact that the Italian population is increasing far more rapidly than the French. He anticipated that in a few years' time Italy would have a population of some five millions larger than France. He was somewhat concerned at the difficulty of finding an outlet for the energies of this increased population. He said that at the present time the stream of immigration [? emigration] was still to North and South America.

MR. LLOYD GEORGE commented that this was a disadvantage from Italy's point of view. A large proportion of immigrants to America were lost to Italy as citizens. It was a pity there were no Italian colonies to which these immigrants could go. He pointed with pride to the fact that our own Dominions had sent a million soldiers to the war. This was a fine instance of the value of Colonies and Dominions. For this reason he himself had always felt a certain sympathy with Baron Sonnino's desire for an Italian Colony in Turkey. An Italian population in the sparsely inhabited regions of the Southern Anatolia would have been a great asset to Italy. He feared he was shocking the Secretary of State for Foreign Affairs.

LORD CURZON said he was listening with great interest.

Albania

SIGNOR BONOMI then alluded to the question of Albania. He said it was a matter of great importance to Italy that Albania should not be in the hands of any great Power, and that another Austria should not be created on the other side of the Southern Adriatic. He alluded to the attitude taken up by Italy at the League of Nations and the Conference of Ambassadors² and asked

- ¹ Italian Minister for Foreign Affairs, Oct. 1914-June 1919, and Italian delegate at the Paris Peace Conference.
- ² On May 27, 1921, the Italian Government had accepted H.M.G.'s proposal that the Albanian question should be submitted to the Conference of Ambassadors. At the 15th and 16th meetings of the Council of the League of Nations on June 25, when the question of the

for a more friendly reception of Italian demands by Great Britain. In particular he insisted on the strategic importance to Italy of Sasseno Island.

MR. LLOYD GEORGE urged on Signor Bonomi the desirability of reaching understandings in regard to such matters. It was a mistake to insist on written agreements which invariably aroused someone's resentment and had to be reported to the League of Nations. He gave a number of instances including Mandates and the Tripartite Agreement in regard to Turkey,³ both of which had aroused a good deal of wholly unjustifiable suspicion. It was much better he said to enter into honourable understandings which were even more likely to be adhered to than written agreements. A gentleman, he said, would pay a betting debt which he regarded as a debt of honour when he could not pay his bills. The attitude of a Power towards a debt of honour might be compared to this.

The Near East

Italy, Greece and Turkey. The conversation then passed to the question of the position in the Near East, and Mr. Lloyd George took the opportunity to impress on Signor Bonomi the importance of reaching an understanding with Greece. He considered that the exact psychological moment had come for this. At the present moment Greece would be comparatively easy to deal with and he thought that Italy could come to terms with her. M. Gounaris according to his experience was an able and reasonable man, and he had no doubt that if the Italian Government asked him he would come to Rome to discuss all matters pending between the two Governments. If Italy postponed action until after Greece had inflicted another blow on the Turks, she would probably find the Greeks extremely difficult to deal with. He strongly urged that in dealing with Greece the Italian Government should aim at an honourable understanding rather than written agreements.

Upper Silesia

Proposed reference to the League of Nations. Towards the end of the conversation, the Marchese della Torretta raised the question of Upper Silesia and asked what would happen on the following day if the French Government rejected the British proposals. His own view was that the matter should be submitted to some sort of arbitration. The French professed to be convinced that they were in the right and the British and Italian Governments were convinced that they were in the right. Clearly therefore this was a case for arbitration whether by the League of Nations, or someone else.

occupation of certain border territories by Greece and Yugoslavia had been discussed, the Italian representative had supported the British recommendation that the three parties to the boundary dispute (Albania, Greece, Yugoslavia) should 'abstain from all acts of provocation and hostility until the question of the frontiers was finally settled'; see L/N.O.J., No. 7, Sept., 1921, pp. 724-5.

- 3 For earlier references to this Agreement see No. 88, n. 4.
- 4 See No. 99, minute 2.

LORD CURZON said that the British Government had always been willing to refer the question to the League of Nations if they could not reach an agreement.

After some further discussion it was agreed:—

To adopt the course of proposing to the French Government that the question should be referred to the League of Nations, and Mr. Lloyd George asked that the Italian Prime Minister and the Foreign Minister should come to the Hôtel Crillon the following day to meet M. Briand and M. Loucheur whom he was expecting.

In spite of the fact that the questions which had been put down for discussion were hardly touched on, the Italian Ministers appeared to be extremely well satisfied with their reception.

Hôtel Crillon, Paris, 11th August, 1921.

APPENDIX TO NO. 100

List of questions communicated by the Marchese della Torretta

Economic questions

- 1. Petroleum.—Agreement of San Remo⁵ and participation of Italy to [sic] international decisions concerning the Oil Question.
 - 2. Reparations.6
 - (a) Italian percentage of 25% on the part of the 132 billions corresponding to the Austrian share of indemnity;
 - (b) Expenses for military occupations;
 - (c) Belgian priority.

Political questions

- 1. Albania.—Formula suggested by Italy, which is being examined at the Foreign Office.
- 2. Abyssinia.—General understanding with special regard to the question of the Lake Tzana.
 - 3. Near and Middle East.—
 - (a) General understanding for Anglo-Italian political co-operation in Eastern questions with due regard to the interests of both parties in their relations with the Islamic world, and to the political situation of Greece in the Mediterranean;
 - (b) Tripartite Agreement;
 - (c) Possible diplomatic co-operation of the two Powers vis-à-vis of the Angora Government;
 - (d) Modifications to the Treaty of Sèvres (Smyrna, Thrace and financial clauses);
 - (e) Co-operation between Italian and British Railway enterprises in Asia Minor.
- ⁵ This Agreement of April 24, 1920, is printed in Cmd. 675 of 1920; cf. Vol. VIII, No. 14, n. 1.
- 6 Note in original: 'On this question pourparlers are already taking place between the Italian Minister of Finance and the Chancellor of the Exchequer.'

- (f) Question of the 'Caonaculum' [sit];7
- (g) Question of the Mandates.

⁷ The Italian Government were insisting on their claim to the Coenaculum at Jerusalem (the 'Upper Room' of the 'Last Supper' of the Christian faith) and refusing to agree that the question must be decided by the Mixed Commission to be established under Part III, Section VII of the Treaty of Sèvres to deal with matters at issue between the religious communities in Palestine.

No. 101

I.C.P. 205E] British Secretary's Notes of a Conversation between the British and French Prime Ministers, held at the Hôtel Crillon, Paris, on Friday, August 12, 1921, at 10.30 a.m.

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister; The Most Hon. the Marquess Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; Sir M. Hankey.

France: M. Briand, President of the Council; M. Loucheur; M. Camerlynck.

Upper Silesia

M. Briand said that on the previous evening he had placed the British proposal before the French experts, and asked them to work out the practical consequences. They had embodied their results in a document which he had with him. He had laid the whole matter before the Council of Ministers, who had agreed unanimously that they could not accept. In the territories ceded to Poland under the British proposals there was not a blast furnace or a steelworks, so that from the point of view of safety the arsenals of Upper Silesia would be in the possession of Germany, and there would be reasonable ground for anxiety. Again, Rybnik supplied coke to Königshütte, where there were cast-iron works. If Rybnik was separated from Königshütte there would be no possibility of Poland receiving iron. Hence, from the economic point of view also, the British proposal would not work. It was quite unacceptable to the French Government, and the French Council of Ministers had been unanimous on the subject. Every member had been anxious to find a solution, but they were agreed it could not be found on these lines, which could not be defended before French public opinion. If the electoral masses of votes were taken into account they would give Germany advantages which were not justified by the results of the plebiscite. These were, in brief, the reasons why the British proposals were inadequate. He had had a note prepared by experts as to the reasons, which he had explained in general terms.

MR. LLOYD GEORGE said he had apprehended all through that this would be the result of the discussion. He had observed throughout that the French point of view was different from that of their Allies, Great Britain, Italy and Japan. He could not help the thought that France was moved by reasons outside the treaty and not within the four corners of Upper Silesia at all—by such considerations as the means available for the purpose of crippling

Germany. The British purpose, on the other hand, was to treat both sides fairly. It was no use continuing on these lines. If France could not accept the decision of the Supreme Council it was no good continuing the discussion. The British Government, therefore, proposed to submit the question to the League of Nations, the covenant of which was just as much part of the treaty as any of the other articles. The question had been treated in the French press as though Great Britain had had some sinister purpose in what she had done. Consequently someone else should be allowed to judge. The Supreme Council had failed; let us now see what the League of Nations could achieve.

M. Briand said he hoped Mr. Lloyd George would not persist in the view that France wanted systematically to cripple Germany. He really must not believe all that the newspapers said. Did Mr. Lloyd George suppose, for example, that he believed everything that he saw in the 'Manchester Guardian'? Each Government had a public opinion which they had to take into account. He had often made concessions, but this time he was not able to go far enough to meet Mr. Lloyd George. The suggestion that Mr. Lloyd George had made was one that he would readily accept. Whatever the decision of the League of Nations might be, France would accept it. The French Government had a somewhat similar idea in mind, and in order to show their desire for conciliation had intended to propose something, namely, to invite the Germans and Poles to meet together and to try and agree on a common frontier.

MR. LLOYD GEORGE thought it would be better to refer the matter to the League. He suggested that an immediate meeting of the Supreme Council should be summoned in order to refer the question to the League of Nations. He thought it would be an advantage for him to be present before his departure.

M. LOUCHEUR said he hoped it would not be a solemn meeting at which each country would state its views, but that M. Briand, as president of the Supreme Council, would merely announce that they had not been able to reach agreement and had referred the matter to the League of Nations.

M. Briand asked when the meeting would take place: Was it in September?

MR. LLOYD GEORGE said 'No,' the meeting of the council should take place at once. It would be very dangerous to leave this matter in suspense.

M. Briand said, if it was the council that was to consider the matter, he agreed.

M. LOUCHEUR said that on legal grounds M. Fromageot had said that the Allies must be very careful not to take the final decision vis-à-vis Germany out of the hands of the Supreme Council. The League must not be asked to arbitrate between the Allies and Germany. They should refer the matter to the League, but after the League had made its recommendation the Powers should communicate the decision to Germany.

MR. LLOYD GEORGE said that was a technical matter which would have to be considered.

M. Briand said that M. Fromageot's procedure would be quite correct,

assuming an understanding between the Allies to accept the decision of the Council of the League.

M. CAMERLYNCK read out the second half of article 11 of the covenant, under which the question would be referred to the League.

M. Briand said this seemed quite satisfactory.

Hôtel Crillon, Paris, August 12, 1921.

No. 102

I.C.P. 206] British Secretary's Notes of an Allied Conference held at the Quai d'Orsay, Paris, on Friday, August 12, 1921, at 11 a.m.

PRESENT: United States of America: Colonel the Hon. G. Harvey, Ambassador in London; Political and Economic expert, Mr. Butler Wright; MILITARY, NAVAL AND AIR EXPERT, General Allen; SECRETARY, Mr. Lane.

Belgium: M. Jaspar (for Item 5); secretary, Viscount Terlinden (for Item 5).

British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister; The Most Hon. the Marquess Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; The Rt. Hon. Sir Gordon Hewart, K.C., M.P., Attorney-General (for Item 5); Sir E. Pollock, K.C., M.P., Solicitor-General (for Item 5); POLITICAL AND ECONOMIC EXPERTS, Sir H. Stuart, Sir C. Hurst, Mr. Waterlow, Sir E. Grigg (for Item 1), Major Clarke; SECRETARIES, Sir M. Hankey (for Item 1), Mr. Howorth, Mr. Wicks.

France: M. Briand, President of the Council (in the Chair); M. Loucheur; M. Berthelot, Secretary-General of the Foreign Office; POLITICAL AND ECONOMIC EXPERTS, General Le Rond, M. Daniélou, M. Laroche, M. Fromageot, Count de Montal; SECRETARIES, M. Massigli (Secretary-General), M. Lagarde.

Italy: Signor Bonomi, President of the Council; Marquis della Torretta, Minister for Foreign Affairs; Political and economic experts, General de Marinis, Signor Torrefranca; MILITARY, NAVAL AND AIR EXPERT, General Marietti; SECRETARIES, Signor Galli, Signor Brambilla, Signor Garbasso, Signor Bolardi Ricca, Signor Valentino, Signor Gicconardi.

Japan: Viscount Ishii, Ambassador in Paris; Baron Hayashi, Ambassador in London; Political and Economic experts, Mr. Debuchi, Mr. Ashida; secretaries, Mr. Tani, Mr. Yoshizawa.

Interpreter: M. Camerlynck.

1. Upper Silesia

M. Briand said that the Allies had been endeavouring during the last few days, with the best possible goodwill, to reach some solution of this most difficult question. Every possible effort had been made to reconcile the

different points of view which had been stated by the delegates of France and Great Britain, but he regretted to have to inform the conference that it had not been found possible to reach agreement. In these circumstances it had been suggested that the Allied Governments should take advantage of those provisions contained in articles 11, 12 and 13 of the Covenant of the League of Nations in order that the essential unity of the Allies, on which so much depended, should continue to be maintained. From conversations which he (M. Briand) had had with Mr. Lloyd George, he had come to the conclusion that there was, in this particular instance, a good case for resorting to the arbitration of the League of Nations. It had been proposed that the Supreme Council should communicate with the Council of the League and request that council to take the matter under consideration with the least possible delay and make a recommendation to the heads of the Allied Governments. He (M. Briand), on behalf of the French Government, wished to declare that France would entirely accept a recommendation on the Upper Silesian question made by the Council of the League whatever it might be.

MR. LLOYD GEORGE informed the conference that he had had an opportunity of certain private discussions with M. Briand and Signor Bonomi, and, as those gentlemen would realise, he was in the fullest agreement with the statement which had fallen from M. Briand's lips. After a conference with Signor Bonomi last night² he (Mr. Lloyd George) had come to the conclusion that the only way in which unity among the Allies could be preserved was by all agreeing to refer this troublesome point of difference to the League of Nations. There was only one point in the statement just made by M. Briand to which he must take exception, and that was the reference to the difference of opinion which M. Briand had represented as existing between Great Britain and France. This, however, did not represent the position quite accurately. Throughout the investigations the point of view taken by the British experts had been very similar, if not perhaps quite identical, with the point of view taken by the Italian experts, and the delegates of the Japanese Government had throughout the sittings of the conference indicated that the views of that Government were in general agreement with those of the British Government. In other words, three of the Allied Governments, as a result of separate examination of the facts and the merits of the case, had been driven to an almost identical conclusion, and had reached the position that what might be termed the British solution afforded the only fair and just settlement of the problem. It was, therefore, not a question of the British and French points of view being opposed to one another, but rather of the French point of view being opposed to that of the other three interested Powers. At the same time, it must not be overlooked that there were inherent in the problem very real difficulties. This must be obvious to anyone who had taken the trouble to examine the details of the matter. Further, it must be realised that public opinion in the various countries was in a highly excited and sensitive state, which made it very difficult for the heads of Governments to take an altogether impartial and detached view of the problem.

¹ See No. 101. ² See No. 100.

(At this point the American delegation entered.)

In these circumstances it seemed highly desirable that the conference should seek the judgment of some other tribunal which would not be affected by popular sentiment. He (Mr. Lloyd George) fully realised the difficulty which France felt in accepting the solution which had been proposed by Great Britain, notwithstanding the fact that Great Britain was supported in the matter by the Italian and Japanese delegations. He was grateful to M. Briand for the cordial way in which the French Government had accepted the proposal that the matter in difference should be referred to the Council of the League of Nations, and Colonel Harvey would, no doubt, take note that the articles of the Covenant of the League, under which reference was made, did not include article 10.3

He (Mr. Lloyd George) had only one or two suggestions to make, the first of which was that it would not be for the conference to prescribe to the Council of the League of Nations how that body should examine the question. The request to the Council of the League to undertake the work should come not from any particular Power but from the whole Supreme Council, and as little time as possible should be lost in approaching the council, and the council should be urged to do the work as rapidly as possible, having regard to the very awkward situation in Upper Silesia and the dangers of further delay. He (Mr. Lloyd George) wished to make it quite clear that the reference should be to the Council of the League of Nations, and that there was no necessity to wait for the meeting of the assembly of the League, which would not be called together until September. The second matter to which he wished to refer was one to which he attached great importance, namely, that the whole question of Upper Silesia should be referred to the Council of the League without any qualification whatever, and particularly without prejudice to the concessions which the parties had felt it desirable to propose in the recent negotiations when they were endeavouring to reach a settlement among themselves. He (Mr. Lloyd George) wished to refer the whole question to this quite impartial tribunal, which would then come to a conclusion on the merits of the case and without being in any way fettered or hampered by any statements made on the subject by the interested Powers. What was required was a judicial decision based on the facts and on the relevant provisions of the treaty. It would be for the Council of the League to decide whether the matter should be referred for arbitration to some particular Power or to the nominee of some particular Power, or possibly to a body of legal experts, such as that which had successfully dealt with the troublesome question of the Aaland Islands.4 But to whatever body the matter might be

³ This article read: 'The Members of the League undertake to respect and preserve as against external aggression the territorial integrity and existing political independence of all Members of the League. In case of any such aggression or in case of any threat or danger of such aggression the Council shall advise upon the means by which this obligation shall be fulfilled.'

⁴ See L/N.O.J., No. 7, Oct. 1920, pp. 394–6 and ibid., No. 7, Sept. 1921, pp. 691–705; cf. Vol. XI, Nos. 296–8.

referred, it was of supreme importance that the recommendation made by that body should be accepted by the Powers. On behalf of the British Government, he wished to make it perfectly clear that that Government would accept the recommendations without demur, and he felt sure that he could rely on the other Powers giving a similar undertaking.

M. Briand stated that the decision of the League of Nations would be accepted by France without question.

MR. LLOYD GEORGE, continuing, said that the last point to which he wished to refer related to the local position in Upper Silesia. Everyone must be fully aware of the dangers of delay, and it would be necessary for the advisers of the Powers to consider on some early occasion what would be the best method of dealing with attempts either by the Poles or the Germans to anticipate or possibly to defeat the conclusion of the Council of the League. If, on examination, it was found necessary to strengthen the local forces in Upper Silesia, the British Government would be prepared to make a contribution in men on the same scale as any other Power.

Signor Bonomi remarked that he proposed to lay the Italian point of view very shortly before the conference. When he had first come to Paris he did not think that it would be necessary for him to intervene much in this question, which had appeared to him to be not so much a political as a technical question. He was glad to be able to pay a tribute to the way in which the whole question had been discussed at the conference, and he was convinced, after hearing the various parties, that all wished to settle it in a spirit of justice, fairness and equity. The experts had tried to establish an agreed line of frontier, and it was regrettable that agreement had been found impossible. The point of view of the Italian and British experts was almost identical. In view of the deadlock which had arisen, he, on behalf of the Italian Government, cordially welcomed the proposed reference to the Council of the League of Nations, which was the highest body set up by the Governments, and the decision of which would, he felt sure, be received with complete confidence. On the question of reinforcements, Signor Bonomi said that had it been found impossible to reach any agreement in the conference, Italy would not have been ready to send more troops to Upper Silesia, but the case was now entirely different, and Italy would certainly be prepared to join the other Allies in sending troops to that country for the short period of time which must elapse before the frontiers were finally determined.

BARON HAYASHI said that the view of the Japanese Government was that it was most important to reach some agreement on this difficult subject. The views of the Japanese delegation had been that a large portion of what was known as the 'industrial triangle' should be attributed to Germany. Now that it had been decided to refer the matter to the Council of the League of Nations, the Japanese delegates were sure that the League would be able to recommend an equitable and proper solution, which all the Powers would find themselves in a position to accept.

COLONEL HARVEY said that the President of the United States had felt from the beginning that this matter was one of distinctly European concern.

It would be with a sense of relief, therefore, that he heard of the confirmation of this view by the Supreme Council in referring the question to a body with which the United States was not associated. Consequently, as representing the President, he would refrain from participation.

M. Briand said that he thought that the conference would be well advised to request the legal advisers to draft the terms of reference to the Council of the League of Nations. The terms of reference must be very carefully worded, and must be water-tight from every point of view, including the point of view of the treaty. It must be remembered that this reference of the question to the League of Nations was not specifically provided for in the treaty, and it was therefore most important that neither the Germans nor the Poles should be in a position to attack what the Allies were now doing, on the ground of illegality.

He also suggested that the conference should issue forthwith a special appeal to the German and Polish Governments to do everything in their power to maintain order in Upper Silesia pending the publication by the Council of the League of their recommendations. While such an appeal would be most useful, it would not take the place of the need for reinforcements, and he (M. Briand) wished to urge very strongly that the Allies should prepare at once, so as to be able to send reinforcements the moment the necessity for them arose.

MR. LLOYD GEORGE thought that it was most important that the High Commissioners of the Powers in Upper Silesia, and the other persons in responsible positions in that country, should exercise their functions in a strictly impartial manner as regards both the Germans and the Poles. He was confident that when it was known that the commissioners intended to act in a wholly unbiassed manner the danger of trouble from the inhabitants would be almost entirely removed. He readily accepted M. Briand's suggestion to issue an appeal to the German and Polish Governments.

The conference agreed—

- (a) To refer to the legal experts the drafting of the terms of reference of the Upper Silesian question to the Council of the League of Nations.
- (b) That an appeal should be addressed by M. Briand, as president of the conference, to the German and Polish Governments exhorting those Governments to take every possible measure to maintain order in Upper Silesia pending the conclusions to be reached by the Council of the League of Nations.

At this point MR. LLOYD GEORGE expressed his sorrow at having to leave the meeting; he had been summoned urgently to London, and it was necessary for him to catch a train at 12 noon.

(Mr. Lloyd George, Sir Maurice Hankey and Sir Edward Grigg then withdrew from the meeting, and Sir Gordon Hewart and Sir Ernest Pollock entered the room.)

2. Russian Relief

M. Briand remarked that it would be necessary for the conference to come to some settlement on the outstanding aspects of the question respecting the relief to be given to Russia. He reminded the conference that it had been agreed to appoint a committee,⁵ and he thought that it would be best if each Government represented at the conference proceeded to nominate its representative, and that steps should be taken to get into touch with other Governments not represented at the conference, which might be interested in the question of Russian relief.

LORD CURZON, in expressing general agreement with M. Briand's proposals, said that the British, and he also understood the Italian, delegations would prefer to defer the actual nomination of representatives until they had returned to their respective countries. Certain questions remained for consideration:—

Firstly, how many delegates should each nation have on the committee. He suggested that the number should not be less than two, and that possibly it would be wise to make it three.

Secondly, which country would receive the nominations of the various Governments, and generally take the initiative in setting up the committee.

Thirdly, where was the committee to hold its enquiry. So far as he (Lord Curzon) was concerned, he thought it would be desirable that the committee should, if possible, obtain first-hand information on the spot in Russia.

M. Briand thought there would be no difficulty on [? in] reaching agreement on the points to which Lord Curzon had referred. He pointed out, however, that at [the] moment the Belgian delegates were not present, and he thought it would be desirable to defer further consideration of the matter until the Belgian delegation could participate in the discussion.

It was agreed—

That the outstanding aspects of the question of Russian relief should be the first item on the agenda for the meeting of the conference tomorrow, Saturday, the 13th August, 1921, at 10.30 a.m.6

3. Sanctions

Lord Curzon then reminded the conference that the question of sanctions was still outstanding, and was one which he thought should be taken to-morrow morning rather than this afternoon. It would no doubt be desirable for the conference to hear first-hand evidence of the present situation on the Rhine, and he trusted that this question could be placed on the agenda for to-morrow's meeting of the conference.

It was agreed-

That the question of sections [sanctions] should accordingly be placed on the agenda for the meeting of the conference on the morning of the 13th August, 1921.7

⁷ This question does not appear to have been discussed until the afternoon meeting; see No. 104 below, minute 3.

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4. Upper Silesia Reinforcements

M. Briand, adverting to the question of reinforcements for Upper Silesia, suggested that the Inter-Allied Military Commission of Versailles might prepare a statement for the consideration of the council, on the distinct understanding that the ultimate decision respecting the despatch of reinforcements would rest with the heads of Governments.

MARQUIS DELLA TORRETTA thought that if this suggestion were accepted, it would be necessary for the High Commissioners in Upper Silesia to cooperate with the Military Commission of Versailles.

LORD CURZON reminded the conference that the Inter-Allied Military Commission of Versailles had not been called upon to deal with this question before, and could hardly be expected to have any particular knowledge or experience in the matter. He felt that it would be far better to leave the question with the heads of Governments as at present. He contemplated that each Government would receive an appreciation of the military needs from its own military representative in Upper Silesia, and that the Allied Governments in combination would then decide what reinforcements it was necessary to send to meet the situation as indicated by their military advisers.

M. Briand said that his proposal to remit the question to the Versailles Commission was made in order to save time. In these circumstances, it would not be possible to come to any conclusion on the following day, because each Government must reserve the right to consult its own advisers.

LORD CURZON was of opinion that it would be necessary to wait for some time yet for a decision on the situation. The news that the settlement of this question had been adjourned, and that the League of Nations was called upon to pronounce upon it would, without doubt, have repercussions on general public opinion, even though the decision of the League might not be given before many weeks, or perhaps months. It was accordingly for those military leaders who were on the spot to say whether they thought there was any necessity to send reinforcements. It was indispensable that their views on the subject should be heard.

M. Briand desired to observe that the carrying out of any resolution to send troops to Upper Silesia would involve a considerable delay of perhaps a fortnight. It was necessary, therefore, that the Allies should guard against a surprise decision. The reinforcements ought to be on the spot when the decision was published.

LORD CURZON expressed agreement on this point with M. Briand. In his view, the reinforcements might be necessary even before the decision of the League of Nations was made, which, without doubt, could not be expected under six or seven weeks; it might not be possible for the opposing sides to wait so long before exciting trouble and coming to blows. Far from seeking to delay the sending of reinforcements, Lord Curzon said that under his plan the reinforcements might be sent earlier than under M. Briand's proposal.

M. Briand wished to insist once again on the necessity of taking advantage of the necessary delays, to transport the troops, and also that the Allies should not be taken by surprise.

5. War Criminals

LORD CURZON remarked that he had very little to say on this question himself, but that the view of the British Government was that the matter should be referred to a committee composed of eminent legal functionaries from the various Allied countries concerned. He thought that it would be desirable that the conference should hear a statement from the Attorney-General of Great Britain.

SIR GORDON HEWART reminded the conference that at the meeting at Spa a decision was taken, under which the German Government were to hold trials at Leipzig of some war criminals whose cases were to be specially submitted to that Government by the Allied Governments.⁸ In the twelve months which had elapsed, a number of these criminals had been tried and it remained for consideration what should be done regarding the remaining cases on the Allied military lists.

With regard to the criminals whose names had been submitted to the German Government by the British Government, there had been a certain amount of criticism in the English press and in Parliament to the effect that the punishments awarded had been inadequate. The British Government had put up seven criminals in all. Three of these had fled from Germany, and of the remaining four who had been tried, one had successfully pleaded 'superior orders.' His plea had been accepted by the court and he had been discharged. The other three had been tried and sentenced, and so far as the British Government was concerned, there was no desire to offer any criticism on the manner in which the proceedings had been conducted.¹⁰

The German Government on its own initiative had arrested two subordinates of a certain Captain Patzig (commander of a German submarine who was accused of murder in the "Llandovery Castle" case).¹¹ These two subordinates had been convicted of murder and sentenced to four months' imprisonment and had been cashiered from the naval service.

Generally speaking, except in one case where the sentence was perhaps inadequate, he had no wish to criticise the way in which the proceedings in Germany had been conducted. He spoke, of course, about the British cases. He had no information about the French and Belgian cases.

As regards the future, he felt whatever was done should be done in common by the whole of the Allies. There seemed three possible alternatives. First, to insist on the surrender of the accused and their trial by Allied or inter-Allied courts. The situation in this respect was not different to that of a year ago, when the arguments against this procedure had prevailed in the Supreme Council.¹² Secondly, the Allies might take up other cases at Leipzig and submit further evidence, &c., and thirdly, the Allies might take no further

⁸ See Vol. VIII, Nos. 53 and 54.

⁹ See, e.g. 142 H.C. Deb., 5 s., cols. 571-2, 145 ibid., cols. 196-8, and The Times, May 31, p. 10.

¹⁰ For a report of these proceedings at Leipzig, see Cmd. 1450 of 1921, German War Trials.

¹¹ Cf. Vol. VIII, No. 20, Appendix II, document 4, and Vol. X, No. 251,

¹² See Vol. VII, No. 2 and No. 3, minute 1 and Appendix 1A.

action in the remaining cases. On the whole, he was in favour of the adoption of the second alternative, namely, that the Allies should press for further trials by the Supreme Court at Leipzig.

Marquis della Torretta stated that of the list of forty-five accused persons submitted by the International Committee, five were accused by the Italian Government. The Leipzig Court had asked for written evidence to be taken. Difficulty had been experienced in obtaining it, the witnesses being scattered all over the country, and it had only been submitted on the 20th July. It was therefore impossible to express an opinion so far as the Italian cases were concerned since they were still sub judice.

M. JASPAR declared that the question of war criminals was one which deeply concerned the Belgian people, and gave rise to violent emotions, particularly as out of the fifteen cases submitted by the Belgian Government, in the only case yet tried there had been an acquittal. The accused was a member of the secret police during the period of occupation when no hostilities were taking place in the area. The case arose out of the trials of children of 12, 13 and 14 years old who had been charged with interfering with the German communications such as the railway lines and switches, and had also been accused of placing obstacles on the permanent way in order to delay the movement of troops or to cause collisions. It was said that the children had confessed their guilt before the German magistrates, but since then they had reversed their confessions which had been extorted by violence. Under reinvestigation it was established that they had been kept in prison for two months and in some cases had been beaten, kept with their heads under water, bound to the walls, or thrashed with leather thongs in order, by such violent means, to extort information from them. All this took place during a period of pacific occupation. The general impression at Leipzig after this evidence and the speech of the prosecution was that a severe sentence would be imposed. To the great surprise of the Belgian prosecution the person had been acquitted. He had read the report of the Belgian delegates at Leipzig who commented in very strong terms on the conduct of the case. He had also read the verdict of the court, and it was clear from the text that legally an acquittal should have been impossible. There was great indignation and resentment amongst all classes and in all parts of Belgium. Before leaving for Paris, he had told the Belgian Parliament that he would ask the Supreme Council to take action. There were fourteen cases more to be tried. The preparation of the briefs had not been finished and written evidence was still being collected. The second case related to murders, shooting and arson and the Belgian people were deeply concerned that the trial should be properly conducted. It was not a question of material restitution, but of justice. What were the conference going to decide? They might agree that the trial of another case should be allowed to proceed as a further test of German bona fides, although the first case had given such bad results. Or they might give up the preparation of the other cases in view of the unjust decision which had been given. Or finally the Allies might themselves undertake to try the cases in the absence of the accused as they were entitled

to do under the treaty. Opinion in Belgium was in favour of the last course. He should add, in order to avoid misunderstanding, that although fifteen persons were accused of crimes against the Belgians, there were only three prosecutions, the fifteen being divided amongst the three cases.

M. Briand said that he would have been very glad if it had been possible for the French delegates to take the same view as the British Attornev-General, but he could not see that the French Government could do otherwise than complain of the test cases at Leipzig. In one case against General von Stenger who was accused of issuing orders to his subordinates to refuse to take prisoners, the judgment of the court and the conduct of the trial was absolutely scandalous. It was clear that the court had proceeded with a desire to produce a triumph for the accused who had been acquitted. At the close of the trial the crowd had behaved very coarsely to the French representatives, and had even attempted to spit in their faces in spite of the presence of police who stood by and did not intervene. The French Government thought in these circumstances that the best way of avoiding new incidents was to recall the French representatives and witnesses and this had been done. M. Briand said that the best solution in a matter so delicate in which public opinion on one side or the other was so excited and where the relations between the two countries were suffering by the situation would be to refer the question to a committee of specialists, high legal authorities such as the Attorney-General of Great Britain, chosen from each of the countries concerned, to examine and make proposals. Time would thus be gained and public opinion would have the opportunity to calm down. In France he thought the public were in favour of the Allies undertaking the trials themselves. He however, was not sure that this solution would be a happy one and he would accordingly press [? for] the matter to be examined by specialists, who are freed from the influence of political opinion and could investigate the matter in conditions of calmness and impartiality, to which politicians could not hope to attain.

LORD CURZON said that the matter was one which obviously excited great feeling in France and Belgium. M. Jaspar had recited the Belgian case, and M. Briand had drawn attention to the strong emotions aroused amongst Frenchmen at what was regarded as the improper treatment of their witnesses and others. These feelings must be taken into account by the British delegation, even though, as he was informed by the Attorney-General, the British witnesses and representatives had not suffered the same treatment. The Attorney-General had suggested three alternatives to which M. Jaspar and M. Briand had added the fourth alternative, of trying prisoners in their absence. Frankly that was a solution which Great Britain was not in favour of. It was first suggested he believed by M. Millerand some eighteen months previously in respect of the German ex-Emperor. It was repugnant to the British Government for the reason that it was contrary to the established rules of jurisprudence and also because it would be futile. The accused persons would not be before the court either for sentence or punishment.

13 See Vol. VII, No. 24, minute 4, pp. 223-4.

He agreed with M. Briand that whatever action was taken must be by the common consent of the Allies, and he also concurred in M. Briand's suggestion that the matter should be examined by high legal authorities of France, Great Britain, Belgium and Italy, who should make recommendations upon the course to be pursued. He hoped that this committee would not follow the unfortunate precedent set by the Commission on Silesia, but would arrive at a unanimous verdict upon which action could be taken.

M. Jaspar expressed the hope that whatever common procedure might be adopted by the Allies the Governments would reserve the right to protest individually against the decisions already pronounced by the Leipzig Tribunal. To this M. Briand concurred. The Marquis della Torretta on behalf of the Italian delegation, and Baron Ishii on behalf of the Japanese delegation concurred in the course proposed.

LORD CURZON enquired what procedure should be followed and upon whom would lie the responsibility for action.

M. Briand said that there was no necessity for immediate action, and that he himself as president of the conference would take steps to convoke the meeting of the Legal Committee.

LORD CURZON said that the British representatives on that committee would probably be the Attorney-General and the Solicitor-General.

M. BRIAND said that probably the French Government would appoint the jurists who had represented France at Leipzig. A resolution was being prepared and would be submitted to the conference at their next meeting.

[6.] Upper Silesia: Text of Resolution14

M. FROMAGEOT, SIR CECIL HURST and M. PILOTTI¹⁵ submitted to the Supreme Council a draft of the resolution on Upper Silesia.

SIR CECIL HURST drew attention to the fact that by virtue of article 4 of the Covenant, every Power, whether a member of the League of Nations or not, could make representations to the Council of the League on any matter in which it was interested, subject only to the condition that it should be authorised so to do by the Council of the League. In these circumstances it was necessary that the resolution of the Supreme Council should be drafted so as to prevent either Germany or Poland making representations to the Council of the League. The opinion of the legal experts was that the matter had not been referred to the League, but that the Council of the League had simply been invited to give its opinion on the question.

Viscount Ishii observed that the term opinion ('avis') did not appear in the Covenant, which always used the expression recommendation ('recommandation).'

After a short discussion the conference agreed to substitute for the word 'avis', which appeared in the text proposed by the legal experts, the words 'la solution qu'il recommande.' The English and French texts of the resolution adopted by the conference are set out in the Appendix.¹⁶

14 Cf. minute 1 above. 15 An Italian legal expert.

¹⁶ The English text only is printed below; cf. L/N.O.J., Nov. 1921, p. 982.

M. Briand stated that at the next meeting the question of sanctions would be considered.

(The conference adjourned until 10.30 a.m. on the following day.) Hôtel Crillon, Paris, August 12, 1921.

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APPENDIX TO NO. 102

Resolution

The Supreme Council, before rendering its decision on the frontier to be fixed between Germany and Poland in Upper Silesia in accordance with article 88 of the Treaty of Versailles, decides, in pursuance of article 11, paragraph 2, of the Covenant of the League of Nations, to submit to the Council of the League the difficulties attending the fixing of the frontier and to invite a recommendation of the council as to the line which the Principal Allied and Associated Powers should lay down.

In view of the situation in Upper Silesia the Council of the League is requested to treat the matter as one of great urgency.

No. 103

I.C.P. 207] British Secretary's Notes of an Allied Conference held at the Quai d'Orsay, Paris, on Saturday, August 13, 1921, at 10.30 a.m.

PRESENT: United States of America: Colonel the Hon. G. Harvey, Ambassador in London; Political and Economic experts, Mr. Butler Wright, Mr. Logan, junior; MILITARY, NAVAL AND AIR EXPERT, General Allen; SECRETARY, Mr. Lane.

Belgium: M. Jaspar, M. Theunis; POLITICAL AND ECONOMIC EXPERTS, M. Rolin-Jacquemyns, Colonel Mathiew [Mathieu], M. Wibier; SECRETARIES, Viscount Terlinden, Viscount Davignon.

British Empire: The Most Hon. the Marquess Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; The Rt. Hon. Sir R. Horne, K.C., M.P., Chancellor of the Exchequer; The Rt. Hon. Sir Gordon Hewart, K.C., M.P., Attorney-General; Sir E. Pollock, K.C., M.P., Solicitor-General; The Rt. Hon. the Lord Hardinge of Penshurst, K.G.; Political and Economic experts, Sir H. Stuart, Sir C. Hurst, Mr. Vansittart, Mr. Waterlow, Major Clarke, Mr. Osborn; MILITARY, NAVAL AND AIR EXPERTS, Major-General Sir C. Sackville-West, Colonel Twiss, Colonel Heywood, Colonel McLeod, Commander Nicholson; SECRETARIES, Mr. Howorth, Mr. Wicks.

France: M. Briand, President of the Council (in the Chair), M. Loucheur, M. Berthelot, Secretary-General of the Foreign Office; Political and Economic experts, General Le Rond, M. Laroche, M. Seydoux, M. Fromageot, M. de Felcourt, Count de Montal; MILITARY, NAVAL AND AIR EXPERTS, Marshal Foch, General Nollet, General Weygand; SECRETARIES, M. Massigli (Secretary-General), M. Brugère, M. Lagarde.

Italy: Signor Bonomi, President of the Council; Marquis della Torretta, Minister for Foreign Affairs; Political and economic experts, General de Marinis, Signor Dell'Abbadessa; financial expert, Signor d'Amelio; military, naval and air experts, General Marietti, Major Mazzolini, Comm. Ruspoli; secretaries, Signor Galli, Signor Brambilla, Signor Guariglia, Signor Valentino.

Japan: Viscount Ishii, Ambassador in Paris; Baron Hayashi, Ambassador in London; political and economic experts, Mr. Matsuda, Mr. Debuchi; military, naval and air experts, General Watanabe, Comm. Viscount Inouye, Major Sakai; secretary, Mr. Yoshizawa.

Interpreter: M. Camerlynck.

1. Upper Silesian Letter to Polish and German Governments

M. Briand said that, in view of the decision of the council to refer the question of Upper Silesia for the opinion of the League of Nations, some communication would have to be made to the Polish and German Governments explaining that there would be a delay, and inviting those Governments to co-operate to the best of their ability in the maintenance of order. M. Briand then read the text of a proposed communication.

LORD CURZON asked why, in the opening sentence, it was stated simply that the discussion of the matter had been adjourned instead of definitely saying that the opinion of the League of Nations upon it had been invited.

M. Briand said that this had been done owing to difficulties which might arise from the interpretation of the Treaty of Versailles. If the case were stated in detail it would invite discussion of juridical details, and rather than risk the question of legal interpretation it was thought better simply to state that the matter had been adjourned.

LORD CURZON stated that if the lawyers were satisfied on the point he would agree.

The conference agreed on the text of the proposed letter to the Chargé d'Affaires for Germany and the Polish Minister attached as Appendix 1 to this procès-verbal.

2. War Criminals

M. Briand read the text of a resolution intended to embody the decisions taken by the conference at their preceding meeting.²

MARQUIS DELLA TORRETTA drew attention to the fact that the text only referred to the judgments already given by the Leipzig Court; but up to the present no judgment had been given on any case submitted by Italy; the briefs were still in course of preparation. The resolution should take account of this situation. The Italian Government had not up to the present expressed any opinion on the validity of the findings of the Leipzig Court.

M. Briand observed that a common decision had to be taken by the Allies. The judgments of the Leipzig Court were not only of interest to the Ally which had taken the initiative in seeking them, but to all the Allies. In fact,

¹ See No. 102, minute 1 and Appendix.

² See No. 102, minute 5.

each Ally ought to regard and estimate the manner in which Germany had carried out the engagements which she had entered into under the treaty, and the decisions taken as regards the execution of the treaty.

LORD CURZON said that the British representatives had drawn up an alternative resolution, which was practically the same in effect, though rather more precise in language.

M. CAMERLYNCK having translated this resolution into French, M. BRIAND suggested that the last paragraph of the French resolution should be added to it.

After a short discussion on the drafting, the conference agreed to the form of resolution which appears in French and English in Appendix 2.3

3. Upper Silesia. Study of Preliminary Measures

M. Briand said that the council had before it a note from the High Commission of Upper Silesia, dated the 10th August (A.J. 299, Appendix 3), in which it was recommended that steps should be taken to have studied in advance the measures that would have to be followed as soon as a decision of the Allies is given as to the partition of the country, such as the plans for handing over the territory, the division of railway material and the evacuation of troops.

M. Briand observed that it was difficult for the Supreme Council to take an immediate decision on the matters raised by the commission. The latter opened technical questions which could only be examined and settled on the spot. M. Briand thought that the Supreme Council ought not to settle immediately all these problems and that it should involve the aid of the experts.

LORD CURZON said that all the measures in question presupposed that the Powers had reached a final decision respecting the frontier. But this was not the case. In these circumstances, the examination of the problems raised by the commission was premature.

M. Briand said that the High Commissioners had met on the preceding day and had expressed a wish to be heard by the Supreme Council.

GENERAL LE ROND said that the note dated the 10th August had been drafted on the assumption that a definite solution was reached. This was not the case; the commission felt that the Supreme Council could not profitably take decisions on questions such as the withdrawal of the Inter-Allied Administration and the handing over to Germany and Poland respectively of the portions of territory assigned to them.

The commission nevertheless attached very great importance to the Supreme Council's approving in principle of the examination of these questions and urged the necessity for preparing forthwith for their solution.

The conference agreed—

To the principles submitted in the report of the Commission of Upper Silesia (A.J. 299) on the understanding that practical effect could not be

3 The English text only was attached to the filed copy.



given to them until a decision had been taken by the Allied Governments on the main question as to the partition of Upper Silesia.

4. Relief for Russia

M. Briand stated that the conference had yet to determine the form of the international commission on the question of relief to Russia which they had decided to create. How should it be composed and where should it sit? The council had already received a certain number of applications to be members of the commission or to assist in its work. While in the circumstances it was difficult to limit the number of members of the commission or to refuse help offered, it must be borne in mind that unless some limit were placed there would be a danger of the commission becoming a deliberating assembly, in which there would be more speeches than action, and he felt, therefore, that they must agree on some sort of limitation.

M. Jaspar said that in his view the Inter-Allied Commission would be an investigating body to see how quickly relief could be organised, and should therefore be small in number, one representative of each Power sitting at the Supreme Council would doubtless be sufficient. The committee could call in any persons of whatever nationality with knowledge of Russia and capable of giving the Supreme Council useful assistance, and after a rapid study of the question, say, within a fortnight, they should be able to report what action could be taken and could establish sub-committees according to the plans already laid down by Lord Curzon. There was much to be said for locating the committee in Paris or London which seemed to be the most convenient places for collecting information, and carrying out a careful study of the problem.

LORD CURZON suggested that M. Jaspar had unduly narrowed the character of the commission's activities. It should be not merely inter-Allied, but international. It should not be confined to the Great Powers, because many of the smaller countries adjacent to Russia, as, for instance, Czechoslovakia, could certainly help. He hoped that when the commission met it would not restrict itself to formulating a plan, but would proceed to execute it. He suggested that the commission should be composed in the first instance of two or three representatives of each of the Great Powers, who should decide which of the small Powers should be represented. He also suggested that the commission should sit in Paris as being more centrally placed than London, and that the commission should meet at an early date. He would be prepared to arrange immediately on his return to London for the appointment of the British representatives. Either the commission as thus constituted or the president of the conference should advise which of the smaller Powers should be represented. When the commission had set to work it would be in a position to decide which of the other organisations should be brought in. It was for the conference merely to provide a nucleus and leave it to the commission as constituted to conduct its own operations.

4 See No. 95, minute 3.

M. Briand said that he was in complete agreement with the views expressed by Lord Curzon.

VISCOUNT ISHII said that the Japanese Ambassador was in agreement with the course proposed, but there was one point which required clearing up. From information received by his Government it appeared certain that the Soviet Government would not submit to any control by an external commission of the arrangements for supplying and distributing food. In such circumstances there was no guarantee that the food would reach the people for whom it was intended.

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MARQUIS DELLA TORRETTA said that similar information had been received by his Government.

LORD CURZON observed that, while the commission that was set up would have to examine the matter in all its bearings, it did not seem to him desirable to anticipate difficulties of this kind at this stage. It would be the business of the commission to go into this question as soon as possible, and he could hardly believe that if arrangements could be made to feed the starving population by the organisation to be set up the Soviet Government would deliberately impede the work.

M. Briand thought that the delegation of each Power should consist of three representatives, one of them representing particularly the Government, another the Red Cross, and the third should be a person intimately acquainted with Russian questions. The fear expressed by Viscount Ishii was a legitimate one; if the committee decided that its functions should be of a wide character it could not be a disinterested spectator of the way in which the help was to be administered on the spot. It was certain that food, clothing and other material which was to be sent to Russia could not be distributed without some control. The conference was accordingly faced with the question whether the Soviet Government would allow the committee freely to exercise its activities, or whether that Government was definitely resolved to oppose such activities.

But all such questions were at the moment incidental; the really urgent matter was to set up the committee, which would have to ascertain exactly what attitude the Soviet Government was likely to adopt towards it.

Marquis della Torretta also thought that the Soviet Government would be opposed to any intervention by the Powers. The fears of the Japanese delegation were justified. The Powers might get themselves into very great difficulties if they appeared to desire to treat with the Soviet Government on an equal footing. That was why the Italian Government thought it preferable to leave any intervention to the Red Cross; in this way the end which was aimed at could be most easily attained.

The Marquis della Torretta did not desire to raise any objection to the proposed constitution of the committee, but he thought that it was his duty to warn the Supreme Council of what would, he believed, be the attitude of the Soviet Government.

M. Briand stated that the different points of view expressed in the course of the discussion could be fully reconciled. It would be the duty of the

committee to decide, after examination, in what form the help could best be given. If use could preferably be made of the Red Cross and other private bodies, there was no reason why such offers should not be entertained. But, in the first place, it would be necessary to set up a committee and to wait for the results of its examination on [? of] the question and any proposals it might have to make.

The conference agreed—

That the Commission for the Relief of Famine in Russia should consist of three representatives of each of the Powers represented at the conference; that the representatives should be appointed immediately; that the commission should sit in Paris as soon as possible; and that it should have power to add to its numbers by selecting representatives of States adjacent to Russia and of other interested States, and should also determine with what philanthropic and other organisations, working for the same purpose, it should co-operate.

5. Cholera in Russia

LORD CURZON said that with M. Briand's permission he desired to raise the question respecting the epidemic of cholera which was raging in Russia, and which might in the end be found to be as great a danger to Europe as the Russian famine. It was impossible to conceive the effect of the rush of cholera-stricken Russians towards the West. He would remind the conference that last year, when there had been danger of typhus spreading from Russia, an international commission had been set up by the League of Nations which had established a cordon across Europe, and had succeeded in a remarkable way in preventing this dreaded disease from invading Western Europe.5 It should be noted that perhaps the most efficacious measures taken by this anti-typhus commission had been those adopted in Poland. Considerable sums, amounting to $f_{.250,000}$ in the aggregate, had been promised by certain of the Great Powers, Great Britain and France each agreeing to contribute £50,000 and the smaller Powers in proportion. The United States had abstained. These funds were exhausted, and it would be disastrous if this lack of money was to lead to the dissolution of the commission, which, so far as could be seen, would be a most suitable body to deal with the cholera danger.

He (Lord Curzon) ventured to bring the matter before the conference, and suggested that the conference should request those Powers which had contributed towards the maintenance of the Anti-Typhus Commission to supply the commission again with money so as to meet the even greater danger which threatened Europe this year.

M. Briand said that he was in entire agreement with the views expressed by Lord Curzon, and wished to congratulate him on his initiative in bringing the matter before the conference.

COLONEL HARVEY, in reply to a question by Lord Curzon, said that he

⁵ See L/N.O.J., No. 4, June 1920, pp. 128–31; cf. Vol. XI, No. 175.

felt sure that the American Government would in no way resent the proposal that the conference should appeal to the contributory Powers for assistance towards the continued maintenance of the commission.

It was agreed—

That the president of the conference should address an appeal to the contributory Governments in the sense suggested by Lord Curzon.

6. Assistance for Austria

M. LOUCHEUR said that he wished to remind the conference that the commission which had been set up by the Supreme Council to investigate the condition of Austria had decided that the whole matter should be referred to the League of Nations.⁶ The interested Governments had been kept closely informed of the whole proceedings, and those Governments which had liens on the Austrian assets had been requested to waive their claims on these assets, this being one of the ways in which the resuscitation of Austria might be most readily accomplished. Many of the Powers had given favourable answers, but no reply had as yet been received from the United States Government, and he (M. Loucheur) suggested that, without wishing in any way to press the Government of the United States for a hasty decision, the conference might like to hear from Colonel Harvey whether a direct appeal by the conference to the United States Government might not help to produce a favourable answer.

Colonel Harvey replied that he personally was not authorised to make any statement on this subject, but he could inform the conference that the United States Congress was at the moment considering a Bill under which the Government of the United States would be empowered to extend the time of payment of amounts due to that Government from foreign debtor Governments. In reply to M. Loucheur's question, he (Colonel Harvey) would have no objection at all to transmitting a resolution of the conference if that course were decided upon.

LORD CURZON reminded the conference that, in addition to the United States of America, three other Governments had so far failed to reply to this question of the release of the liens. Italy was one of the Powers in question, and he understood that, subject to the settlement of some small questions of detail which were before the Conference of Ambassadors, Italy would be prepared to give a favourable answer. The other two Governments were those of Serbia and Roumania, and he (Lord Curzon) thought that any resolution passed by the conference should in turn bring to the notice of the Powers what a vital question this was for Austria, which was almost at her last gasp. He therefore hoped that any resolution passed by the conference would apply not merely to the Government of the United States, but to all the Governments from which answers had not as yet been received, and he assured the conference that there was no question of a secondary character which was more important and on which the conference could give more useful help than by bringing encouragement to this unfortunate country.

6 See Nos. 64 and 68.

M. LOUCHEUR expressed agreement with Lord Curzon's remarks, and suggested that it might be desirable to fortify the resolution by a *démarche* made by diplomatic representatives in the capitals of the four outstanding countries.

MARQUIS DELLA TORRETTA said that he also quite agreed that a resolution of the kind indicated should be passed by the conference. As soon as the detailed questions had been settled there would be no obstacles in the way of Italy releasing her lien on the Austrian assets.

The conference adopted the following resolution:—

'The Supreme Council, having taken into consideration the financial measures required for the relief of Austria, notes that the execution of these measures only awaits the assent of certain Governments to the proposed suspension of the liens, based on its decision of the 17th March,7 and already accepted by almost all the interested Governments.

'The Supreme Council, recognising the pressing needs of Austria and the efforts already made by the Austrian Government, expresses its full confidence that the assistance awaited by Austria will be furnished her with the least possible delay.

'The Supreme Council expresses the hope that the Governments of the United States of America, Serbia and Roumania will take into consideration the imperative urgency of so vital a solution and give their adherence, of which the delay alone impedes the realisation of the unanimous intentions of the Powers and on which depend the re-estab[l]ishment of the equilibrium of Europe and the very life of Austria.'

7. Asia Minor. The Dardanelles

M. Briand reminded the conference that this question had already been considered at the meeting on the 10th August, when it had been decided to refer the matter to the Inter-Allied Military Commission of Versailles.⁸ This commission had now issued its report (Paper A.J. 300 (Appendix 4)), and he now proposed to call upon Marshal Foch to explain the position.

Marshal Foch gave the conference a brief statement of the contents of the report in question, which, it should be noted, had been drawn up so as to meet the contingency of the present state of affairs in the Dardanelles area being maintained for some considerable time, and also to meet the possible situation of a Greek withdrawal and an invasion of the Dardanelles area by victorious Turkish forces.

LORD CURZON said that he had no intention whatever of attempting to criticise a report which had been prepared under the guidance of so distinguished a soldier as Marshal Foch. He would, however, like to draw the attention of the conference to the fact that apparently the report envisaged a state of affairs in which a victorious Turkish army would be invading the Dardanelles area, and that the estimate of the Allied forces required to meet

⁷ See No. 68, Appendix.

⁸ See No. 94, minute [5], p. 660, and No. 95, minute 1.

such a contingency had been inserted in the report. It was to be remembered, however, that when the Treaty of Sèvres was drafted it was contemplated that the Allies would occupy not only the Straits, but a large demilitarised zone around the Sea of Marmora, and that the Inter-Allied Military Commission of Control had then reported that 30,000 men in all would be required to garrison this substantial area, of which 10,000 should be drawn from each of the three interested Powers—Great Britain, France and Italy. Subsequently, the demilitarised zone had been very much reduced, with a view to meeting Turkish susceptibilities, and he (Lord Curzon) had been under the impression that what the conference had asked the Inter-Allied Military Commission of Control to advise was what would be the smallest number of men who could hold the Dardanelles when, as was to be hoped would soon take place, peace had been re-established in Asia Minor and a normal and permanent state of affairs existed. It was possible, of course, that Marshal Foch would say that the forces enumerated in the report were the minimum which would be necessary in any event.

Marshal Foch said that he had not been present when the resolution was actually passed, but the Inter-Allied Military Commission of Versailles had taken as a basis for their enquiry the Treaty of Sèvres, and if that treaty was to be modified it would be of supreme importance, from the military point of view, to know what neighbours Turkey was to have. Of course, if the neighbours could live on good terms with the Turks it might be possible for the Allies to garrison the Dardanelles effectively with very much smaller forces, but he would remind the conference that in any case it was not enough to conclude a paper peace; it was essential that the Allies should maintain on the spot forces which would enable them to secure that the terms of the peace were properly observed.

The circumstances referred to by Lord Curzon had been already considered on the 14th [16th] February, 1920, at a meeting in London, when a resolution had been passed that so far as the Dardanelles were concerned their defence could be adequately provided for by three battalions of infantry and two batteries of artillery; 10 but this, of course, presupposed a situation of profound peace.

(The conference took note of the report of the Inter-Allied Military Commission of Versailles (A.J. 300 (Appendix 4)).)

8. Commission of Control

M. BRIAND remarked that it was now the duty of the conference to take up the question of the continued existence of the commissions of control, which had been referred to the Inter-Allied Military Commission of Versailles at the meeting of the conference on the 10th August, 1921, at 4 p.m. (I.C.P. 205,¹¹ minute 2), and he proposed to ask Marshal Foch to explain the situation.

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° Cf. Vol. VII, No. 6, minute 2 (p. 48).
See Vol. VII, No. 14, Appendix 1, § 3 (d).
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¹¹ No. 95.

Aeronautical Report

MARSHAL FOCH said that the report on the air questions had been circulated to the members of the conference (Paper A.J. 303 (Appendix 5)). Part I dealt with the position of the work accomplished by the Inter-Allied Aeronautical Commission of Control, and Part II dealt with the work remaining to be accomplished by that Commission of Control, this part of the report ending with the following three definite proposals:—

'(1) The Inter-Allied Aeronautical Commission of Control will be

reduced on the 30th September to fifteen officers.

'(2) The Inter-Allied Aeronautical Commission of Control will finish the work and leave Germany on the 31st December, 1921, and that [sic] the embargo on the construction of German aircraft will be withdrawn from this date.

'(3) At the end of this period, i.e., the 31st December, 1921, the commission will hand over to a body or an organisation charged with carrying out in the future the supervision of the manner in which the German Government carries out article 198.

'Taken generally, the different dates given above are provisional and dependent on the work progressing as is at present anticipated.

'Whatever dates shall be decided upon, these should not be communicated to the German Government, as a communication of this kind would have the inevitable result of delaying the work.'

He would be glad to hear whether the conference concurred in the adoption of these proposals.

LORD CURZON said that he assumed that the conference was at the moment only dealing with the question of aeronautical control. He had been very glad to observe the substantial reduction in personnel which the Versailles Commission thought could be effected in September next, and also that the whole work of the present commission could be brought to an end next December. At the same time, he was somewhat alarmed at Marshal Foch's statement that these dates were of a somewhat provisional character, and while he quite agreed that it would be most undesirable to make any announcement on the subject to the German Government at the present moment, for the reasons given in the concluding paragraph of this part of the report, he sincerely hoped that, in view of the great progress made to date and the satisfactory prospects in the immediate future, it would be found unnecessary to modify in any way the dates given in the report. He could assure the conference that it was the ardent desire of the British Government that the Commission of Control should be terminated with the least possible delay.

Marshal Foch then proceeded to draw the attention of the conference to Part III of the report, which dealt with the proposals as to the form of supervision which will have to be imposed in the future so as to secure the execution of the air clauses of the Treaty of Versailles. It had been generally agreed that the expense of the new Commission of Supervision proposed by the French and Belgian representatives should not fall upon the German Government, but the military experts had failed to agree on the question of where the new commission should sit. The French point of view was that there should be a single representative of each country on a Commission of Supervision sitting in Germany itself, and this, in fact, was the issue which the conference would have to decide.

LORD CURZON said that he was very sorry that the military experts had been unable to reach a unanimous conclusion on this point, which was one upon which the British Government held very strong views. He did not propose to restate at length the arguments which he had given to the conference against a Permanent Commission of Control at the previous meeting:12 he would merely indicate in one or two sentences the views of the British Government, which were, that it was not right to keep up a large body of officers in Berlin, that the presence of such officers in Berlin would be a constant source of annoyance and friction, and that the supervision could be more effectively exercised by officers working in the Allied countries and having at their disposal information from the usual military and other sources. He urged that it would only be necessary to send commissions of officers into Germany when there was some definite ground for suspicion. Since he had spoken on the previous occasion, a new point had been brought to his notice. Why was it proposed to discriminate in this respect between Germany and the other ex-enemy States? It was not suggested, so far as he knew, that commissions of control should be retained on a permanent basis in Austria, Bulgaria or Turkey. It seemed very invidious to select Germany as the country for such an experiment. He wished very much that he could withdraw his opposition to the French proposal, but the conference would realise that the British point of view was based on the unanimous opinion of the Admiralty, the War Office and the Air Ministry, and he (Lord Curzon) had no alternative but to maintain that view.

M. Briand said that, on behalf of the French Government, he must repeat what he had said on the former occasion, namely, that this was not a matter upon which it was possible for France to compromise.12 The national safety of France was at stake, and no French Government could make concessions where this was the case. He felt that Lord Curzon's comparison of the situation in Austria and Germany respectively must have been made in a humorous spirit. No one for a moment could think that Austria in her present state could hurt anyone, and certainly she could not use her crowns to build civil aviation machines which could be converted readily for military purposes. France in this matter was actuated by her strong sense of justice and knowledge of the facts, and the fact remained that Germany was strong in more senses than one. The Treaty of Versailles had definitely provided for the method by which these questions were to be dealt with. The Supreme Council, after prolonged discussions, had agreed on the course to be adopted, and the military experts had advised on the rules to be observed to discriminate between civil and military aviation. Strict supervision had been laid down by the Supreme Council and had been accepted by Germany. Lord

12 See No. 95, minute 2.

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Curzon had said that supervision of the kind contemplated by the French Government would be irritating to the Germans. This would no doubt be so, but the war of 1014 had been, and still was, very irritating to the Allies, and France was determined that a similar war should not break out again. The framers of the Treaty of Versailles had never intended to injure in any way the sovereignty of any Allied nation. The existence of the Supreme Council, a result of the treaty, ought still less to injure it. Where national security was in question, no State, however anxious it might be to preserve inter-Allied unity, would imperil national security, and he felt confident that Great Britain would not compromise on such a question—her history proved it. It must be understood that in taking the line he was doing, he (M. Briand) was arguing in favour of peace. If the Allied Governments maintained an organisation in Germany, they would receive immediate information of any breaches or contemplated breaches by the Germans of the disarmament stipulations. On the other hand, if the Allies had no organisation in Germany, and if some breach of the disarmament arrangements was published in the press, it would be very difficult to restrain public opinion, particularly in France. That the Germans would take advantage of any Allied concessions in the matter was clear from their behaviour in the past. The work of the commissions of control had been highly efficient, but it was also a very unpleasant task, and it must not be thought that the French officers took pleasure in this particular duty. Even if the German Government itself was trustworthy, it must be remembered that that Government did not have a free hand, and that behind it stood the military and reactionary organisations ready, in the absence of control, to collect arms and manufacture weapons. In the face of these powerful organisations the German Government would be itself powerless, and the safety of France might be endangered. If he was to agree to the withdrawal of the commissions of control and a discovery was made that the Germans were manufacturing unauthorised weapons, he felt convinced that war between France and Germany would break out the next day, so intense would be the excitement of public opinion. He quite understood the position of Great Britain in the matter, but he thought that Great Britain might regard herself as a partner with France in the sense that partners could act together and defend one another's interests. France and Great Britain were not regarded in the same way in Germany. It was notorious that the German feelings towards France were of a peculiarly bitter character. He had already pointed out that in any disagreement at the conference France was forced into the unenviable position of appearing to be the Power denying any concessions to Germany.¹³ The Supreme Council had passed a unanimous resolution, after hearing the military experts.¹⁴ The report of the Inter-Allied Military Commission of Control indicated the dangers of the situation, and it was absolutely essential, from the French point of view, that there should be some form of supervision in Germany. In his view, there would be no danger to peace if the control commissions were maintained.

13 See ibid., p. 670. 14 Cf. M. Briand's first speech on p. 724 below.

THE MARQUIS DELLA TORRETTA said that at an earlier meeting of the conference he had stated the opinion of the Minister of War that article 213 of the Treaty of Versailles provided a sufficient safeguard as regards future control. After listening to the views of Great Britain and France, it had occurred to him that possibly the Allies might compromise by admitting the principle of continued control for a definite period. He therefore ventured to suggest that the Allies should agree to continue the present system of control for a certain time, and he hoped that in this way unanimity might be restored.

VISCOUNT ISHII said that the view of the Japanese delegation was that some sort of supervision was required. This supervision must not be merely nominal, but should be effective, and for preference the supervision should be exercised in Germany; but he quite realised that the presence of these officers in Berlin must be provocative and a cause of regrettable incidents. This should not be necessary, as the Powers of course maintained naval and military attachés at Berlin, 16 but this was not the kind of duty which could be entrusted to such attachés. He suggested that the control commissions should sit in Germany at some centre other than the capital.

M. Jaspar said that he did not think that the question of principle was in dispute. The conference had agreed, and Germany had accepted, the principle of control. The difference which had arisen related rather to the precise method by which control was to be exercised in future. According to the British view, there were two main objections to continued control—the financial objection arising out of the fact that Germany was no longer to bear the expenses of the commissions, and the political objections to which Lord Curzon had referred. He (M. Jaspar) was of opinion that this was a matter in which the Allies could afford to be moderate. The supervision in Germany should be on a moderate scale, and every effort should be made to avoid anything likely to be unpleasant to German sentiment. He therefore favoured the restrictions suggested in the report, and would like to see a small body of officers stationed in Germany acting in close conjunction with the main controlling body, very much like the anten[n] of an insect conveyed sensations to it. A solution on these lines seemed possible.

COLONEL HARVEY regretted that he was not sufficiently well acquainted with the facts to add anything to the discussion.

LORD CURZON remarked that he had been tempted to reply to M. Briand on the larger political grounds, but perhaps it would be better to confine himself to a few observations. In the first place, there had been a considerable amount of newspaper criticism on the lines of M. Briand's remarks respecting the odium which attached to France through her having to adopt on this question a position contrary to the other members of the conference. It had been suggested that the conference was considering the unanimous report of a committee. The report was, however, far from being unanimous, and the real views of the Italian and Japanese Governments had only been made known at the present meeting. It must be clearly understood that, in taking up the

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¹⁵ See No. 95, p. 667.

¹⁶ This pre-war practice had not yet been revived by the European powers.

position she had, Great Britain was actuated by a spirit of perfect loyalty to France. There could be no greater mistake than to maintain that in this matter Great Britain was influenced by any other motive than one of securing a peaceable settlement and a satisfactory and lasting solution. M. Briand had also criticised the view that Great Britain was more exposed to aerial attack than France, but he (Lord Curzon) thought that Mr. Lloyd George had shown conclusively that this view was the correct one.¹⁷

Some suggestions of an interesting nature had been made in the course of the discussion. The Marquis della Torretta had suggested control for a strictly limited term. Viscount Ishii had suggested that control should not be exercised in Berlin but should possibly move about Germany. M. Jaspar had emphasised the need for having a small body in Germany. All these suggestions were worthy of further consideration, and he (Lord Curzon) would like to consult with his colleagues in the British Government with a view to seeing whether some agreement on the lines of the discussion might not be possible. He would therefore be glad if the whole question could be deferred, and he undertook that after his return to England he would communicate the views of the British Government to the Inter-Allied Military Commission of Control.

M. Briand said that when he had referred to 'unanimity' he did not mean that the military experts had produced a unanimous report, but he had referred to the unanimous resolutions passed by the conferences held in Paris and London.¹⁸ The Allied Powers had on previous occasions insisted on the necessity for strict supervision. He could assure the conference that France desired to have a minimum number of agents, and also that the organisation should be located in the least sensitive part of Germany. The control, he agreed, should be as light as possible, because perhaps more than any other people the French knew from experience the horrors of military control and what an obstacle such control must be to the resumption of normal relations which was so much to be desired. At the same time, he could not disregard the events which had happened in Germany.

LORD CURZON said that he fully realised the great importance of the words which had just fallen from M. Briand's lips. He assumed that the conference was ready to accept the propositions contained in Part II of the report.

M. Briand replied that the French delegates could not possibly accept these propositions without some definite understanding as to the continuance of control. He proposed to invite the Military Commission of Versailles to meet and embody the proposals in a draft resolution.

LORD CURZON said that it would be extremely difficult for him to agree to any resolution in the absence of his ministerial colleagues.

M. LOUCHEUR thought it would be best to adjourn the conference until the afternoon, and devote the interval to drafting some resolution on the subject.

¹⁷ See ibid., p. 670.

¹⁸ i.e. the Second Conference of Paris (see Chap. I), and the Fourth Conference of London (see Chap. IV). For the resolutions referred to, see § 1 of Part III of Appendix 5 and n. 24 below.

It was agreed-

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To adjourn the discussion until 3.30 that afternoon.

Hôtel Crillon, Paris, August 13, 1921.

APPENDIX I TO No. 103

Projet de Lettre au Chargé d'Affaires d'Allemagne et au Ministre de Pologne

M. le Chargé d'Affaires,

M. le Ministre,

En raison de la difficulté que présente la fixation de la frontière entre l'Allemagne et la Pologne en Haute-Silésie, le Conseil suprême a ajourné la décision qui lui incombe à cet égard conformément à l'article 88 du Traité de Versailles.

Le Conseil suprême est certain que la population de Haute-Silésie appréciera le sentiment qui l'a amené à écarter une solution hâtive. Rien ne sera, d'ailleurs,

négligé pour que ce délai soit aussi court que possible.

Le Conseil suprême compte fermement que le Gouvernement allemand (polonais) invitera, de son côté, le peuple allemand (polonais) à conserver jusqu'à la décision finale le plus grand calme, et qu'il usera en même temps de toute son influence directe ou indirecte sur les populations de Haute-Silésie pour qu'elles respectent l'autorité de la Haute-Commission alliée.

Le Conseil suprême attire particulièrement l'attention du Gouvernement allemand (polonais) sur les graves responsabilités qu'il encourrait s'il manquait à prendre sur son territoire, notamment sur les frontières de Haute-Silésie, les mesures propres à arrêter toute tentative tendant à fomenter des désordres dans le territoire plébiscitaire, ou s'il n'entravait pas strictement tout passage d'armes, de munitions et de bandes ou d'hommes armés.

APPENDIX 2 TO No. 103

Resolution relating to War Criminals

It was decided—

- 1. That, in conformity with the Allied note to the president of the German delegation upon war criminals, dated Paris, the 7th May, 1920, 10 a committee be appointed to report to the Supreme Council their opinion upon the results of the proceedings before and the judgment given by the Supreme Court at Leipzig in the cases concerning the persons cited by the Allied Governments in virtue of article 228 of the treaty. The commission will also present proposals on the course of action to be followed in the future in view of the application of articles 228 to 230 of the treaty.
- 2. That the committee consist of representatives of France, Great Britain, Italy and Belgium, and that each of these countries be entitled to appoint two representatives.
 - 19 See Cmd. 1325 of 1921, No. 124; cf. Vol. VIII, No. 20, Appendix II, document 3.

APPENDIX 3 TO No. 103

(A.J. 299.) Inter-Allied Control and Plebiscite Commission of Upper Silesia

Note for the Supreme Council

(Translation.)

- 1. In view of the forthcoming decision of the Supreme Council regarding the determination of the Polish-German frontier in Upper Silesia, the Inter-Allied Commission of Control has the honour to submit to the Supreme Council the following observations regarding the questions which it will be necessary to settle after that of the frontier delimitation, and with a view to a solution of these questions it is important to take the necessary preliminary steps as soon as possible:—
 - (a) The drawing up of a plan for the handing over of the territories to the States to which they are attributed.
 - (b) The drawing up of a plan of evacuation for the authorities and for the Allied troops.
 - (c) The division of the railway material between the two States to which territory is attributed.
 - (d) The negotiation of economic arrangements between Germany and Poland with a view to the maintenance of the output of the industries of Upper Silesia.

The solution of these various questions demands the assistance of representatives of the German and Polish Governments, and the solution of the question (b) requires besides the intervention of the Inter-Allied Military Committee of Versailles.

It appears to the Inter-Allied Commission that it is necessary definitely to settle questions (a) and (b), and to make a decision in principle of questions (c) and (d) before the High Commissioners leave Paris.

- 2. The Commission of Control has also the honour to remind the Supreme Council that after the closing down of its activities in Upper Silesia, it will be the duty of the High Commissioners, assisted by a strictly necessary number of functionaries, to draw up in Paris a general report on the work of the commission, and to settle, with the assistance of the Allied financial experts, the following questions:—
 - (e) The auditing of the financial accounts of the Commission of Control.
 - (f) The determination of that part of the revenues of Germany which ought to be carried to the credit of Upper Silesia during the period of the Inter-Allied Control.
 - (g) Eventually, and if the local resources of the territory thus drawn up do not suffice to cover the expenses of the commission, the repartition of these expenses between the two States to which territory has been attributed.

LE ROND (France).
HAROLD STUART (Great Britain).
A. DE MARINIS (Italy).

Paris, August 10, 1921.

APPENDIX 4 TO No. 103

(A.J. 300.) Marshal Foch to President of Supreme Council

PARIS, August 11, 1921

In accordance with the instructions of the 10th August from the Supreme Council of the Allied Powers, the military, naval, and air advisers consisting of:—

For Great Britain . . . General Sackville-West,

Lieutenant-Colonel Heywood,

Major McLeod,

Commodore Neckleson [? Nicholson],

Commandant Hodge,

General Groves,

For France . . . Marshal Foch,

General Weygand,

Vice-Admiral Grasset,

Captain Poupon,

For Italy . . . General Marietti,

Colonel Tappi,

Captain of the frigate Ruspoli,

Colonel Piccio,

For Japan . . . General Watanabe,

Captain of the corvette Inouye,

Commandant Sakai,

met on the 11th August under my presidency and have drawn up the attached report concerning the military, naval and air measures to guarantee the freedom of the Straits of the Dardanelles.

This report has been adopted unanimously with the reservations mentioned in p. 3 [p. 728 below] concerning the estimate of the force required.

I have the honour to request that you will submit this report to the Supreme Council.

Госн.

Report of the Allied Military Committee of Versailles on the Measures necessary to Guarantee the Freedom of the Straits of the Dardanelles

I

In the present circumstances, namely:-

- (a) Constantinople being occupied by the Allied forces and Thrace by the Greek army;
- (b) The present situation of the Greek army whose left flank rests on the Sea of Marmora, and therefore covers the approaches to the southern shores of the Dardanelles;

the freedom of the Straits does not seem to be threatened immediately, and the military dispositions taken by the Allied High Command to ensure the freedom of the Dardanelles appear sufficient.²⁰

²⁰ Note in original: 'One French battalion in Gallipoli Peninsula. One British battalion on the southern shore (Chanak area). Bulair position in course of preparation.'

The freedom of the Straits, however, might be dangerously threatened should the Turkish Nationalist army succeed in driving the Greek army back on Smyrna, thus depriving the southern shores of the Dardanelles of the protection which they now enjoy.

In this hypothesis the defence of the Straits could be ensured in the following

- (a) On the north, the possession of the Gallipoli Peninsula should be maintained in the same conditions as at present, since no danger is to be anticipated on that side, provided the Allied fleets can effectively police the sea and deprive the Turks of all possibility of landing on the Peninsula.
- (b) On the southern side of the Dardanelles the only object which should be assigned to the defence is that of denying to the enemy access to the Straits as well as to the principal points on the ground whence he would be in a position to shell the channel.

In order to attain this object it would be necessary to set up a system of defence resting on the following bases:—

The necessity of preventing the enemy from penetrating into the mountainous region between the coast and the Ezine-Bigha road, and of delaying as long as possible his progress through this mountainous region should he succeed in gaining access to it.

Consequently, the holding of the main entrances to this region, viz:—

Road junctions of Bigha,

Chan Bazar Keui area,

Ezine, Bairamich area,

by detachments of all arms based on organised centres of resistance, and in liaison on the wings with the Allied naval forces.

Distribution of the reserves in the Chanak-Lapsaki areas.

Organisation of a last centre of resistance round Chanak.

Estimate of Force required

Advanced detachments: These should consist for each centre of resistance of at least 2 battalions, 1 squadron and 1 battery.

General reserve:

6 battalions, 2 squadrons, 1 group of artillery, 1 reconnaissance squadron and 1 bombardment squadron.

Total:

12 battalions, 5 squadrons, 2 groups of artillery and 2 air squadrons.

However, the British military representative, in accordance with the reconnaissances carried out in this area by the British and French staffs by order of General Harington,²¹ considers that the total force necessary should consist of two divisions, namely, about:—

18 battalions, 5 squadrons, 6 groups of artillery and 2 air squadrons.

The British air representative considers, on the other hand, that it would be advisable to reinforce the air formations mentioned above by one squadron of giant bombers.

21 Note in original: 'Information communicated by Lieutenant-Colonel Heywood.'

Action of the Naval Forces

These would, by means of their artillery armament, support the wings of the operating forces, and would carry out the task of watching and policing the sea.

It must be pointed out that in view of the extent of the zone to be defended (100 kilom. long with a depth of 45 kilom.) the force contemplated above could only fulfil its mission if the enemy attacked with limited means. Such would be the case, for instance, if the Turkish army pursuing the Greek army in the direction of Smyrna with the bulk of its forces (main operation) entrusted to a detached force the mission of reaching the southern shores of the Straits (secondary operation).

But it is very obvious that if the enemy allotted to this last operation very important forces, it would be impossible to guarantee the freedom of the Straits with the force mentioned above.

In this situation this force would only exert a delaying action for a length of time which, though necessarily limited, cannot be estimated.

In order to re-establish the freedom of the Straits, it would then be necessary to utilise more powerful forces which would no doubt have to be employed from a new base of operations.

Further, it must be clearly understood that the preceding proposals only hold good in the present situation where the Principal Allied Powers are not in a state of war with Greece.

APPENDIX 5 TO No. 103

(A.J. 303.) Report of the Inter-Allied Military Commission of Versailles on the Air Questions

Part I.—Position of the Work accomplished by the I[nter-] A[llied] A[eronautical] C[ommission of] C[ontrol]

The position is that all the known aeronautical material is now in the hands of the Reichstreuhandgesellschaft, i.e., the organ charged by the German Government with carrying out the delivery or destruction of this material. No questions of principle are at present outstanding with the German Government, and the work of delivery and destruction is proceeding normally under the supervision of the control officers. This supervision continues to be necessary, as even under supervision a certain quantity of material is constantly disappearing. In addition to the known material, small quantities of undeclared material continue to come to light, either as the result of legal measures taken by the German Government, or as the result of information which reaches the Commission of Control.

This undeclared material, when found, has to be disposed of.

The material to be dealt with by the Aeronautical Commission may be divided into two principal categories:—

- (a) Aircraft and accessories;
- (b) Installations, such as sheds and hydrogen plants;
- (a) may further be divided as referred to above into (i) known material and (ii) undeclared material.

As regards (a) (i), the work is very nearly completed and is expected to be entirely finished by the beginning of next month, with the exception of aeronautical armament, the final disposal of which may take somewhat longer.

As regards (a) (ii), this is an unknown factor. All that can be said is that in

many cases the total amount of material surrendered by the German Government does not agree with what was expected to be found.

The latest German law on the subject has fixed the 15th August as the date by which, under severe penalties, all material held back must be surrendered. This is the third law of the kind, and when this has expired, all legal methods to bring out this material will have been exhausted.

The commission by its own methods is only finding negligible quantities of material.

It may therefore be said that also in September 1921 everything possible will have been done in this respect.

Lastly, as regards (b), the work of demolishing the large and numerous installations in Germany has taken longer than was anticipated, and though the work is well advanced, supervision is still necessary to ensure that the demolitions are thoroughly carried out, and that the installations are not left in such a state that their reconstruction is facilitated. This supervision must continue for some considerable time, depending on the degree of thoroughness in clearing up required to be attained.

The position of the work accomplished by the I.A.A.C.C. is therefore considered to be as follows:—

'The military air power of Germany has been broken, but the resulting debris has not yet been finally disposed of, and if left in its present stage might render it easier for Germany to rebuild a certain power in the air from the remaining fragments.'

STATISTICS Personnel Officers— 19 British 26 Italian 3 Belgian 2 Japanese 2 Interpreter 1 August 1921 (inter-Allied officers) 53

Original strength about 200 inter-Allied officers.

Material disposed of in Various Ways

Approximately—

- 11 airships.
- 89 kite balloons.
- 15,000 aeroplanes and seaplanes.

29,000 motors.

- 455 military or naval aeroplane or seaplane hangars.
- 35 military or naval airship sheds.
- 103 private aeroplane hangars.
 - 12 private airship sheds (1 at Friedrichshafen suspended).
 - 18 hydrogen plants.
- 24,615 hydrogen bottles.
 - 898 photographic cameras, and quantities of armament and wireless material.

N.B.—3,000 trucks of material have been despatched from aerodromes or factories in Germany to Allied countries.

Part II .- The Work remaining to be Accomplished by the I.A.A.C.C.

It results from the above that the principal work remaining to be accomplished by the I.A.A.C.C. is to see that the work started is carried through to its definite conclusion. In addition to this, however, there is the disposal of the material constructed contrary to the decision of Boulogne,²² which has hardly commenced, and also decisions to be taken as regards the aeronautical material in Schleswig and at Danzig.

It is anticipated that, if nothing arises to retard the execution of the treaty, by the latter half of September this work will be sufficiently advanced for the commission to report that for practical purposes the aerial clauses may be considered as executed so far as is possible with the means at the disposal of the commission. If this report is accepted, the date will be determined from which the three months commences to run, until the expiration of which Germany is not allowed to recommence the construction of civil aircraft. This period of three months would, it is considered, be required for the actual final clearing up of all outstanding matters by a reduced section of the commission. Included in these matters is the completion of the commission's report on its work.

Under these circumstances it is proposed that—...²³

Part III.—Proposals with regard to the Form of Supervision which will assure in the future the Execution of the Air Clauses of the Treaty of Versailles.

The principle of the necessity for some supervision which will guarantee the continuation of the execution of the Treaty of Versailles has been admitted by the Supreme Council (resolution of the 29th January, 1921, and confirmed by the ultimatum of the 5th May, 1921, and accepted by the German Government).²⁴

As regards the form which this supervision should take, the French and Belgian representatives proposed—

'A Commission of Supervision composed of a limited number of Allied officers of each of the Powers represented on the Commission of Control, with head-quarters at Berlin and expenses paid by these Powers. This commission would take over the powers of the commission now functioning; the replacement shall not involve a hiatus.'

The British air representative put forward the following opinion:—

'The British air representatives are prepared to accept the following organisation, which would come into being after the present I.A.A.C.C. has been withdrawn in its entirety, i.e., after the completion of the execution of the air clauses of the treaty:—

'An Aeronautical Commission comprising echelons of officers of those Allied nationalities now represented on the I.A.A.C.C. These officers would normally be employed in their own countries in their ordinary work. Only when the

- ²² See Vol. VIII, No. 36, minute 3; cf. No. 11, Appendix 2, Aerial Clauses (Infringements).
- 23 Here followed the passages in inverted commas on p. 720 above, not here reprinted.
- ²⁴ See No. 11, Appendix 2 (p. 106) and No. 12, n. 2 for the relevant reference in the resolution of Jan. 29; and No. 85, Appendix 2 (d) for the ultimatum of May 5. The German Government's acceptance was recorded in their letter of May 17 to Gen. Masterman, President of the Inter-Allied Aeronautical Commission of Control; see No. 95, n. 5.



Allied Governments themselves, acting upon the advice of some joint body such as the C.M.A.V.²⁵ to which would be added air representatives, received reports of suspicious German aeronautical activity would this commission be ordered to assemble to investigate and to report. This commission, unlike the present I.A.A.C.C., would have to be paid by the Allied Governments.

'The organisation proposed above is not covered by the treaty and is in temporary substitution for investigation by the Council of the League of Nations contemplated under article 213.

'The British air representatives are ready to accept definitions 8 and 9,²⁶ subject to the proviso that such acceptance will not involve any control other than such as is consistent with the form of control described above.'

The Italian and Japanese representatives considered that in view of the political nature of the decision to be taken they could not put forward an opinion as to where the headquarters of the Committee of Supervision should be.

This question as to where the headquarters should be is now the only point on which there is a difference of opinion, unanimity having been reached as regards all other points.

²⁵ Comité Militaire Allié de Versailles, i.e. the Inter-Allied Military Committee of Versailles.

²⁶ See No. 95, minute 2.

No. 104

1.C.P. 208] British Secretary's Notes of an Allied Conference held at the Quai d'Orsay, Paris, on Saturday, August 13, 1921, at 3.30 p.m.

PRESENT: United States of America: Colonel the Hon. G. Harvey, Ambassador in London; Political and Economic experts, Mr. Butler Wright, Mr. Logan, junior; MILITARY, NAVAL AND AIR EXPERT, General Allen; SECRETARY, Mr. Lane.

Belgium: M. Jaspar [Minister for Foreign Affairs]; M. Theunis [Minister of Finance]; POLITICAL AND ECONOMIC EXPERTS, M. Rolin Jacquemyns, Colonel Mathiew [Mathieu], M. Wibier; SECRETARIES, Viscount Terlinden, Viscount Davignon.

British Empire: The Most Hon. the Marquess Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; The Rt. Hon. Sir R. Horne, K.C., M.P., Chancellor of the Exchequer; The Rt. Hon. the Lord Hardinge of Penshurst, K.G.; Political and economic experts, Sir C. Hurst, Mr. Vansittart, Mr. Waterlow, Mr. Osborn, Mr. O'Malley, Mr. Robertson, Major Clarke; Military, Naval and Air experts, Major-General Sir C. Sackville-West, Colonel Twiss, Group-Captain Groves, Commander Nicholson; secretaries, Mr. Howorth, Mr. Wicks.

France: M. Briand, President of the Council (in the Chair); M. Loucheur [Minister for the Devastated Regions and Reparations]; M. Berthelot, Secretary-General of the Foreign Office; POLITICAL AND ECONOMIC EXPERTS, General Le Rond, M. Tivard [Tirard], M. Seydoux, Count Musolier, M. Hermant, M. Fromageot, M. Petsche; MILITARY, NAVAL AND AIR EXPERTS, Marshal Foch, General Weygand, General Nollet, Admiral de Marguerye, Comm. de Montal; SECRETARIES, M. Massigli (Secretary-General), M. Brugère, M. Outrey.

Italy: Signor Bonomi, President of the Council; Marquis della Torretta, Minister for Foreign Affairs; Signor Soleri, Minister of Finance; POLITICAL AND ECONOMIC EXPERTS, General de Marinis, Signor Dell'Abbadessa; MILITARY, NAVAL AND AIR EXPERTS, General Marietti, Major Mazzolini, Comm. Ruspoli; SECRETARIES, Signor Galli, Signor Brambilla, Signor Guariglia, Signor Valentino.

Japan: Viscount Ishii, Ambassador in Paris; Baron Hayashi, Ambassador in London; Political and Economic experts, Mr. Matsuda, Mr. Debuchi; Military, Naval and Air experts, General Watanabe, Comm. Viscount Inouye, Major Sakai, Captain Kiyokawa; secretaries, Mr. Yoshizawa, Mr. Miyakoshi.

INTERPRETER: M. Camerlynck.

1. Upper Silesia: Communication to Polish and German Governments

M. Briand said that the communication upon which the conference had decided that morning had been already handed to the Polish and German Chargé d'Affaires, asking them to make every endeavour to prevent any disturbance or outbreak pending the delay in the decision of the Upper Silesian question. At the same time, the French Government had wired to their representatives in Berlin and Warsaw asking them to make similar representations. He hoped that the other Powers at the conference would take the same steps. He understood that Great Britain had already done so.

2. Financial Resolutions

M. Briand said that certain financial resolutions had been unanimously agreed to by the Finance Ministers of Belgium, France, Great Britain and Italy. M. Loucheur would make a statement to the conference.

M. LOUCHEUR read to the conference the text of the following resolutions submitted by the Finance Ministers of France, Great Britain, Belgium and Italy:—

(1) Arbitration in respect of Part VIII, Annex 2, Paragraph 13, of the Treaty of Versailles and the corresponding Paragraphs of the Treaties of Saint-Germain and the Trianon.

A resolution relating to an amendment of paragraph 13 of Annex 2 of Part VIII of the Treaty of Versailles, to provide for the nomination of an arbitrator by the Council of the League of Nations in the event of the delegates for the interpretation of this part of the treaty being unable to agree upon an arbitrator (see Appendix 1).

(2) Spa Agreement

A resolution relating to the interpretation of the Spa Agreement² (see Appendix 2).

¹ See No. 103, minute 1 and Appendix 1.

² i.e. the Agreement concerning reparation signed at Spa on July 16, 1920, printed in Cmd. 1615 of 1922.

(3) Cost of the Armies of Occupation

A recommendation in respect of the limitation of the total annual cost of the armies of occupation (see Appendix 3).

The conference agreed—

That resolutions (1) and (2) should be adopted.

With regard to resolution (3)—

M. Theunis said that the Ministers of Finance had been obliged to take into account that the capacity of Germany was limited, and that it was desirable to reduce the demands on account of the cost of the armies of occupation on material and moral grounds. Already the German press was agitating against the expense, and making invidious comparisons between the pay of German magistrates and the pay of soldiers and motor drivers of the Allies, the fact, of course, being that the argument was largely aggravated by the state of the German exchange. The reduction of the cost of the armies of occupation would also be useful in enabling Germany to make better provision for reparation. Some of his colleagues desired to go further and would have limited to a lump sum the cost of all civil and military commissions in Germany. On this, however, the French Ministers had desired further information and the Conference of Ministers had therefore limited their recommendations to the cost of the armies of occupation. They had considered the question of limiting the charge to Germany on the basis of the daily cost of a British soldier. The British Chancellor of the Exchequer had said that he would be willing to accept this, which was below the actual cost to the British Government, on condition that the same figure was applied to all the commissions. At the same time, the cost of maintenance of American soldiers would have to be borne in mind, and naturally it would be necessary to obtain the consent of the American Government, which was interested in the matter.

Signor Soleri said that the expenses of the armies of occupation were a heavy burden to Germany. It would absorb all her available resources and leave very little for reparation. They must also consider the political side. The relief from economic injury inflicted by the war was being delayed. If the sums due to Italy on account of reparations were smaller than those due to other Powers, they were on that account all the more interested in limiting the cost of the armies of occupation lest there should be nothing left for reparation. It was for that reason that he had proposed to limit the cost of the civil commissions. They ought all to be included in the sum of 240 million gold marks provided in the agreement of the 16th June, 1919.3 They must study the means of reducing such costs to what was strictly necessary. He understood that the British Chancellor of the Exchequer was willing to agree to limit the daily cost of the British soldier to that of the French, plus two gold marks, provided that a lump sum could be agreed for the cost of all the commissions in Germany, and also provided that the Government of the United States of America would agree to limit the daily cost of the American

3 See Cmd. 240 of 1919.

soldier to that of the French, plus three gold marks. The agreement of the 16th June, 1919, should be given effect to at the earliest possible moment.

SIR ROBERT HORNE said that M. Clemenceau, Mr. Lloyd George and President Wilson in June 1919 had made the agreement referred to because they had come to the conclusion that as soon as the Supreme Council were of opinion that disarmament was going on satisfactorily the cost of the armies of occupation could be cut down to 240 million gold marks per annum. The present cost was immensely greater. It would be realised that present circumstances might render that inevitable, but it could not be allowed to continue indefinitely. They were diminishing the power of Germany to pay reparation and thus impoverishing the Allies. From the Allies' point of view, moreover, it would be of benefit to everybody if they could succeed in spending less. The Finance Ministers had moved this general resolution, but it would be a pity to leave it in the air without any action being taken on it. He ventured to throw out a suggestion that representatives of the War Departments and Treasuries of each of the interested Powers concerned should consider this matter together. Let each country examine what was strictly necessary and what could be forgone and report to the Supreme Council what could be done. It was in the interest of Europe that something effective should be accomplished.

M. LOUCHEUR said that France naturally desired, in agreement with the Allies, to reduce the cost of the armies of occupation and the civil commissions. France was particularly interested in the question, as three-quarters of the army of occupation was composed of French troops. There were two kinds of expenses—civil and military. Something might be done in the direction of reducing the cost of the civil commissions. For instance, the conference would be surprised to learn that M. Jaspar had informed him that the commissions of Eupen and Malmédy were still in existence. The French Government hoped to be in a position shortly to make suggestions for reducing the expenses of the civil commissions. He suggested that the question of the cost of the armies of occupation should be referred to the Inter-Allied Military Committee at Versailles, who, with the help of the financial experts, would be able to work out suggestions in a short time.

M. Jaspar said that he agreed with Sir Robert Horne that the Allies were greatly interested in reducing these expenses, which were a first charge on the sums received from Germany. It would no doubt be useful to have the opinion of the Versailles Military Committee, and they should be asked to give it as soon as possible. The council had taken a resolution in January on this subject; it was now August and the money was still being spent. He understood that the French Government were going to make proposals about the cost of the civil commissions. He suggested that the Supreme Council should appoint two or three of its members to examine without

⁴ The reference is to the German-Belgian Boundary Commission established under Art. 35 of the Treaty of Versailles for determining the new frontier between Germany and Belgium.

⁵ Cf. No. 10, under Armies of Occupation on pp. 85-86.

delay the question of these commissions; the delegates would ascertain the extent of the work remaining to be done by the various commissions and would endeavour to arrange for early dissolution where possible. The expenses of some of the commissions was [sic] out of all proportion to the work they were doing, and were not an edifying spectacle. They should be brought to an end as soon as possible.

Lord Curzon thought that he could put M. Jaspar's proposals into an even more practical shape. Sir Robert Horne had proposed that the opinions of the War Departments and Treasuries of each country should be asked. It would be better and more expeditious if each Government would depute one representative of its War Department and Treasury to come to Paris without delay. These officials of the various Powers would then confer and produce proposals to lighten the economic burden. This, he thought, would be more practical than referring the matter to the Military Committee at Versailles because they would thus get, on behalf of each Government, effective proposals to which they were ready to agree.

M. Briand agreed with the combined proposals of Lord Curzon and M. Jaspar on the understanding that the report of the financial experts would finally be examined by the Inter-Allied Council. In order that the work should be carried out as soon as possible, two delegates should be appointed by each Government, a member of the Treasury and a military representative, which [who] should meet and agree upon resolutions to be carried out without delay. This could apply both to the military and civil commissions. It would be for the financial experts to see how superfluous bodies could be dispensed with and what economies could be carried out in the armies of occupation, compatible with military necessity, upon which the opinion of the military experts would be taken.

VISCOUNT ISHII said he agreed with the necessity of reducing the expenditure and concurred in the procedure proposed. It had not been realised that this matter would be raised at the conference, and the Japanese delegates had had no time to study the question. In fact, he had only heard of it at that meeting. He did not think the Japanese Government would raise any difficulty, but in the circumstances he could only accept the proposals ad referendum.

M. JASPAR said he presumed the conference would ask each Government to appoint its representative as soon as possible. It was very important that a time should be fixed by which the Commission of Enquiry should report.

LORD CURZON observed that M. Briand had said somet[h]ing about military necessity. He wished that the commission should not have its hands tied and should be able to deal with military necessity as well as cost. It would be most undesirable to limit the competence of the commission.

M. Briand said that he quite agreed to the general competence of the Commission of Enquiry. The terms of reference would be within the four corners of the resolutions submitted by the Finance Ministers. He saw no objection to fixing a time in which the commission should report.

M. LOUCHEUR proposed that the commission should be given (1) the

powers indicated in the resolution of the Finance Ministers and (2) the right to extend these powers to an examination of the reduction of the cost of the civil commissions. The commission should at the outset indicate the probable duration of its labours.

LORD CURZON observed that M. Loucheur's suggestions were limited to cost only. Surely questions of policy would be involved. In any matter the question of policy would be involved, as well as finance, and that was the reason, in his view, for appointing military representatives. He wanted the point to be quite clear.

M. LOUCHEUR observed that Lord Curzon raised two questions, namely, policy and cost, but he would remind him of the agreement of June 1919, which referred only to the cost of the armies of occupation and not to the policy. The question of the numbers of troops to be employed was within the competence of the Versailles Military Committee. The cost was a matter for the commission. The military representatives must be present to advise on military matters.

SIGNOR SOLERI said that the agreement of June 1919 provided for a reduction of the cost to 240 million gold marks as soon as the time was ripe. He enquired whether in the view of the Supreme Council this moment had now arrived.

M. Briand said two issues had been raised, but the political question of occupation was not on the agenda, and he could not believe that it was the intention of the conference to extemporise a debate on such a matter. Secondly, the Finance Ministers at Paris had taken the view which had also been expressed early this year as to the reduction to 240 million gold marks of the annual cost of the armies of occupation, this amount having been contemplated in June 1919. The experts asked the conference to adopt that view. The conference was about to appoint a commission to study the question, but as military questions would be involved it would be necessary that military delegates should sit on the commission, who would be called upon to express their point of view. Such, according to M. Briand, was the sense and style of the decision to be taken. If the debate extended to political issues, M. Briand could not allow discussion. The council could not settle so grave an issue at the end of the session.

M. JASPAR read to the meeting the text of the following resolution which he proposed:—

'Chacun des Gouvernements représentés au Conseil suprême enverra des délégués financiers et militaires à une Commission qui donnera son avis sur les frais entraînés par les armées d'occupation ainsi que pour les diverses Commissions civiles instituées par les Traités de Paix sur les réductions à opérer et sur la date à laquelle chacune de ces Commissions devra terminer ses opérations. Cet avis sera transmis aux Gouvernements susdits avant le 1^{er} novembre 1921.'

MR. HARVEY said that he was in the same position as the Japanese delegates. He did not know that the matter was to be raised. Nevertheless, he

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would, if desired, submit to his Government any resolution to which the conference might agree.

LORD CURZON said he was prepared to accept M. Jaspar's proposal; all he asked was that the military case should be considered and the presence of the military representatives would secure that.

M. Briand said it was understood that the resolution was passed on the understanding that it was accepted by the representatives of Japan and the United States of America ad referendum to their Governments.

The conference accordingly agreed—

- 1. To take note of and approve the resolution submitted by the Finance Ministers of France, Great Britain, Belgium and Italy on the subject of the cost of the armies of occupation (Appendix 3).
- 2. To adopt the resolution submitted by M. Jaspar (Appendix 4).6

 The delegates of the United States of America and Japan reserved their adhesion to these two resolutions for submission of the matter to their respective Governments.

3. Sanctions

M. BRIAND said that he now proposed to call upon M. Loucheur to state the French point of view on the question of the proposed abolition of the sanctions imposed by the Supreme Council after the Conference of London in March last.⁷ He must, however, remind the conference that in addition to this question there still remained for consideration certain aspects of the question of the commissions of control.

M. LOUCHEUR said that it was his duty to inform the conference of the point of view of the French Government. As the conference was aware, the sanctions imposed in the spring of the present year were of an economic and military nature. The military sanction was the occupation of Duisburg, Rührort and Düsseldorf, on the right bank of the Rhine. The economic sanctions had been the 50 per cent. levy on German exports to Allied countries, the customs duties imposed by the Allies for their benefit on the left bank of the Rhine, and the establishment of the special Rhineland customs barriers. The 50 per cent. levy on German exports had been replaced by the German acceptance of the levy of 25 per cent. on all German exports.8 After briefly reminding the conference of the main points in the story of the imposition of the sanctions which had resulted from the refusal of Dr. Simons to accept the terms put to the German Government in March, M. Loucheur drew attention to the minutes of the meeting of the Supreme Council on the 9th March, 1921, at 6 p.m. (I.C.P. 182), and contended that it was clear from the account of the meeting that the understanding of the Allied Govern-

⁶ Not printed. This Appendix was an English text of M. Jaspar's resolution printed above.

⁷ For the sanctions imposed see No. 30, p. 257 and No. 31, n. 7.

⁸ Cf. No. 90, nn. 8 and 9. For the levy of 25 per cent. on German exports, see section 4 (2) of the Schedule of Payments of May 5 (No. 83, Appendix 2).

⁹ i.e. No. 50 above.

ments had then been that the sanctions would not be removed until Germany had given complete satisfaction. This was clear from the nature of the press communiqué (Appendix 5 to I.C.P. 182) which stated *inter alia* that it was agreed—

'That the sanctions will cease only when a satisfactory solution of the questions of reparation, disarmament and war criminals has been accepted by the Allies.'

About the time of the Allied ultimatum of the 5th May, the celebrated discussion between Lord D'Abernon and Herr Stresemann had taken place, in which Herr Stresemann had been informed of the British view that the Rhineland sanctions 'ought to be cancelled in the event of Germany accepting the ultimatum.'10 He (M. Loucheur) paid a tribute to the British Foreign Office, which had at once notified the French Government of this conversation in a most loyal manner. The French Government had replied objection [? objecting] to the British Government having made this communication to the German Government, and indicating that France could not allow the Rhineland sanctions to be cancelled until Germany had given 'real proof' of her bona fides in executing the terms embodied in the ultimatum. He (M. Loucheur) would remind the conference of a remark made by M. Briand at the meeting on the 0th March. M. Briand had then said that there would be no advantage in letting Germany think that it would suffice for her to make a grimace and the sanctions would disappear.11 The point of view of France in this matter remained absolutely unchanged.

M. Loucheur then proceeded to explain the facts leading up to the threat to occupy the Ruhr, which had been effective in compelling Germany to accept the ultimatum.

The French Government realised that on a number of points the German Government had given a certain amount of satisfaction. As regards reparation, Germany had made deliveries of gold marks up to date within the times specified in the document of the 5th May, 1921. A large instalment (1 milliard of gold marks) was due on the 31st of the present month, and within the last forty-eight hours the agents of the German Government had approached the French financial agents with a hint that Germany might be unable to pay this sum by the date named. The French Government had themselves had doubts on the subject, and as a precautionary measure had obtained the guarantee of certain German banks as a kind of collateral security. Thus, on the first point, if the French Government had no precise complaint to make, it could not conceal the fact that for some days it had been aware of doubts coming from the Germans themselves on the efficacy of German promises. With regard to disarmament, it was true that immediately after the ultimatum the Allied Military Commission in Berlin had reported that the German Government was doing its best to carry out its

¹⁰ The reference is to the conversation of May 12 between Lord D'Abernon and Herr Stresemann, leader of the German People's party, referred to in Viscount D'Abernon, An Ambassador of Peace, vol. i, pp. 168-9.

¹¹ See No. 50, p. 358. M. Briand's remark is also reproduced on p. 741 below.

obligations.¹² Latterly, however, there had been a distinct change in the attitude of the German Government towards this question, and the old obstructive and dilatory practices had been revived. As regards war criminals, the position was, in the view of the French Government, unsatisfactory. Great Britain had been successful in two and unsuccessful in one of three cases brought at her instance before the Leipzig tribunal.¹³ France and Belgium had each brought a single case before that tribunal, and on each occasion had been unsuccessful. Not only had there been, in the view of the French Government, a gross miscarriage of justice in the French and Belgian cases, but the French and Belgian legal representatives had been treated at Leipzig with the greatest incivility. The fact that the conference had decided to refer the whole question to a committee of high legal functionaries¹⁴ proved that as regards war criminals Germany failed to give the Allies satisfaction.

Proposed Abolition of the Economic Sanction

The French Government therefore took the view that Germany had by no means fulfilled her obligations, but, having regard to all the circumstances, felt that the time had now come to reconsider the question of the economic sanction. France would be prepared to agree to the abolition of this sanction on two conditions, the first of which was that Germany should pay the full amount of 1 milliard of gold marks due by her on the 31st August, 1921, the second being that Germany should acquiesce in arrangements being made for the setting up of an inter-Allied organisation which, in conjunction with the competent German authorities, would examine licences for the importation and exportation of goods to and from firms in the occupied territory, the object of this being to prevent German discrimination as between the Allies and the rest of the world, contrary to the provisions of articles 264 and 276 of the Treaty of Versailles.

There was no doubt that the Rhineland customs barrier had been a hind-rance to trade; at the same time it had provided the Allies with valuable statistical information as to the volume, &c., of German trade. On the question of the boycott of Allied goods, the attention of the German Government had been drawn to what was going on, and that Government had failed to give any satisfaction. He (M. Loucheur) had met Herren Rathenau and Hirsch, 15 and the latter, as was to be expected, had endeavoured to excuse what had been done. The German Government were, however, quite prepared to accept the licence system which he had indicated and which it was proposed should be worked by the delegates of the Rhineland Powers in conjunction with German delegates. The licences would hold

¹² This information had been transmitted to the Foreign Office in Berlin telegram No. 235 of May 20.

¹³ Cf. Sir G. Hewart's statement on Aug. 12 in No. 102, minute 5.

¹⁴ See No. 103, minute 2 and Appendix 2.

¹⁵ M. Loucheur had visited Germany on June 12 and 13. For his notes on his conversations with Dr. Rathenau, German Minister for Reconstruction, see L. Loucheur, *Carnets Secrets 1908-1932* (Brussels, 1962), pp. 86-92. Herr J. Hirsch was State Secretary in the German Ministry of Economics.

good for the whole of Germany, and there would have to be some machinery for settling disputes.

LORD CURZON said that he was delighted to hear M. Loucheur's proposal that steps should be taken forthwith to terminate on the 31st August the economic sanction. This proposal would reduce very considerably the field which the conference would have to cover, and would also reduce very much the remarks which he himself would have to make. The point of view of the British Government on what had occurred in the spring of this year was distinctly different from that described by M. Loucheur. During the negotiations which ended in the acceptance at the end of May by the German Government of the ultimatum, it had never for one moment occurred to any member of the British Government that the sanctions imposed in March would be in operation three months after the unqualified acceptance by the German Government of the ultimatum. He (Lord Curzon) would like to draw attention to some very definite remarks in the minutes of the meeting [of] the Supreme Council on the 9th March last at 6 p.m. After quoting M. Briand's declaration (page 5 of I.C.P. 182)16 that the French Government had no idea of annexation, Lord Curzon read out from page 6 of I.C.P. 182 the following remarks:—

'MR. LLOYD GEORGE said that this statement meant that if the Allies reached a satisfactory arrangement with Germany on the questions in which they were taking action, the occupation would be discontinued, the troops withdrawn and the customs barriers raised. It was important that there should be no misunderstanding amongst the Allies on that. The whole of the sanctions would be withdrawn.

'M. BRIAND replied that the sanctions were designed to bring Germany to her senses. They constituted means of making her execute the treaty. Since [? Once] the Allies had obtained the necessary assurances there would be no necessity for them to persevere in the attitude they had adopted. But, on the other hand, there was no advantage in letting Germany think that it would suffice for her to make a grimace and the sanctions would disappear. Realities were necessary which would give the Allies corresponding advantages. M. Briand was, moreover, convinced that as soon as Germany had recommenced discussions it would be easy to arrange, under satisfactory conditions, all the questions which were irritating public opinion in the different countries.

'MR. LLOYD GEORGE agreed entirely with the view that there could be no question of renouncing the sanctions until there had been concluded to the satisfaction of the Allies an arrangement with Germany on the questions in which action was now being taken.

'M. Jaspar said that as long as the Germans did not make reasonable proposals the sanctions would continue in force; when these proposals were made, the sanctions would disappear.'

So clear had been the view of the British Government that they had definitely authorised Herr Stresemann to be told that if the ultimatum was

16 See No. 50, pp. 357-8.

accepted the sanctions ought in their opinion to disappear, and they had informed the French Government in the same sense. The position of the British Government had therefore never varied in the slightest, and throughout they had felt that the just and proper action to take would be to relieve Germany of the sanctions imposed in March. He (Lord Curzon) wished to remind the conference that the German Government had undoubtedly been carrying out to the best of its ability the engagements to which it had put its hand. M. Briand was not able to give the German Government much credit for what it had done, and the other day had repeated his remark that it would not suffice for Germany to make a grimace and the sanctions would disappear.' He (M. Briand) had represented that Germany had only just commenced to do what in May she had promised to do: but was this really the case? M. Loucheur had clearly indicated that in his view there was very little to criticise in the way in which Germany had so far carried out her reparation obligations. As regards disarmament, it might be true that this was now proceeding more slowly than earlier in the year. The fact had been used as an argument for the continuance of the commission of control in Berlin: was it also fair to use it as an argument for the continuance of the Rhineland sanctions? As regards war criminals, he (Lord Curzon) would have little to say, but he would remind the conference that Germany had only agreed to try the criminals, and had not undertaken to inflict upon the guilty, penalties which Allied public opinion demanded, or to punish persons if the court found them innocent. It had, however, undertaken to give the criminals a fair and proper trial according to German law. It was true that very many people were dissatisfied with the results of the trials, but still, the trials had been held, and the evidence of the English legal experts was that they had been properly conducted. The German Government was quite prepared to continue the trials. Could it be said that in these circumstances Germany was in default?

He (Lord Curzon) must now add a few words about the military sanction, namely, the continued occupation of Duisburg, Ruhrort and Düsseldorf. These three towns, which had been occupied since the 1st [8th] March, had a population aggregating 750,000. They were held by forces of between 5,000 and 6,000 Allied soldiers. The conference should consider what this meant. It meant that martial law was in force in these highly populated places. In Düsseldorf there were barracks available, but in the two other towns it was necessary for the soldiers to be billeted in private houses. Everyone would agree that billeting was a great and necessary hardship in time of war, but it was a far greater and well-nigh intolerable hardship in time of peace. The school buildings had been taken for military purposes, and the educational system was, in consequence, disorganised. Every soldier would agree that the state of martial law involved very great hardships on a civilian population. It must be remembered that the cost of all this system fell not upon the Allies, but upon Germany. The cost in itself was a very substantial item, and while Germany was no doubt directly injured, the Allies were indirectly injured, since this particular service took priority, as regards pay-

ment, to the reparation payments. There was another point of view which might be urged, also dealing with finance, and that was that on the 1st November next the German Government would have to issue German bonds of 38 milliards of gold marks.¹⁷ It was most important that these bonds should be covered, but the continued occupation of these three important industrial centres not only militated against a full trade revival, but must tend to give a sense of insecurity in financial circles in Germany. The raising of the military sanction would undoubtedly greatly facilitate the successful issue of the bonds next November. He (Lord Curzon) fully appreciated the remarks which had been made relative to the necessity for maintaining the security of France, but he asked whether the occupation of these three towns really materially added to that security? M. Loucheur had spoken of the loyal desire of the present German Government to carry out its pledges. If that Government was to fall, its place would be taken not by a Government more favourable to the Allies, but by a Government composed of the reactionary and obstructive elements. He implored the conference to do everything in its power to help the present German Government. While it was true that the Government would derive considerable satisfaction from the news of the withdrawal of the economic sanction, there was no doubt at all that it would be enormously strengthened in Germany if the military sanction were removed at the same time. He (Lord Curzon) would therefore like to hear whether the French Government would agree to fix a definite date for the withdrawal of the military sanction, or, if that was asking too much, to consider the question of a progressive withdrawal, which possibly might be a more satisfactory solution. The conference should look at this matter from the political rather than the military point of view, should weigh the political consequences, and should realise the very great responsibilities which it was assuming if it dropped the economic sanction and retained the military sanction.

M. Briand asked leave of the conference to indicate the French point of view in reply to the remarks made by Lord Curzon. The French Government had no desire to maintain indefinitely and uselessly the military occupation. If an opportunity had in the past presented itself to raise without any danger the military sanctions he would have done this immediately. He would even have been the first in the field, and M. Loucheur would have proposed to the Allies the suppression of the economic sanctions.

If M. Loucheur had been stopped on so good a road this was not because he lacked a good reason. The sanctions had been decided upon at a moment when Germany, by the mouth of Dr. Simons, had not only declared that it was impossible for her to execute the treaty, but that by proclaiming its injustice she sought to tear out a leaf from the Allied book of victory. In these circumstances it was necessary for the Allies to adopt coercive measures. Sanctions had been agreed upon after prolonged discussions; they had been notified to Germany, and a resolution signed by Mr. Lloyd George himself

¹⁷ In accordance with the Schedule of Payments of May 5, §2 (b); see No. 83, Appendix 2 and No. 86, n. 6.

¹⁸ See, e.g., Dr. Simons's statement at the Allied Conference on March 7 in No. 43.

had announced to the entire world that the Allies would only suppress them when they thought that Germany had given them sufficient satisfaction.¹⁹

Germany having persisted in her defiance, the Allies had decided to go still further. France had proposed the mobilisation of a class to occupy the Ruhr since force was the only means of bringing Germany to her senses. Without doubt there were in Germany men like Chancellor Wirth, and perhaps even Dr. Simons (if he had not been so controlled by those around him), who wished to do the right thing, but there was also another Germany. It was the latter that the French Government had in view. It was that which it particularly looked at when it impressed on its Allies that nothing would be accomplished until this Germany had been made to feel that it was conquered and that it would have to submit. The ultimatum and the French mobilisation had produced a good effect. There was at first unanimous protest, then Chancellor Wirth had assumed responsibility for submission and had declared that the German Government bowed to force.²⁰ This was language appropriate to a German.

There were occasions when an appeal to force was necessary. This must be realised well enough by Great Britain, which had never hesitated to use force when she thought it necessary to do so.

A new German Government had been constituted immediately after the ultimatum, but with a very feeble majority behind it. It was a Government of good intentions. There had been on its part a serious attempt to begin the execution of the treaty. M. Briand had himself proclaimed this view in public.²¹ If these good intentions had continued to manifest themselves, M. Briand would himself have proposed to suppress the whole of the sanctions. But in the last few weeks a change had taken place. General Nollet's reports testified to this. New attempts were being made to paralyse an inter-Allied control in Germany, because the Germans thought they saw signs of disunion among the Allies.

Lord Curzon had said that much of the material had been given up. This was no doubt true. Nevertheless, it seemed that in Upper Silesia the Germans could constitute within a few weeks an armed force of between 50,000 and 60,000 men provided with cannons, machine guns and rifles, with the complicity of the German Government, or at least of its agents. A British officer had stated that wagons full of munitions sent in a certain direction with the consent of the Naval Commission of Control had been detained on their journey and diverted to Upper Silesia. Even supposing for a moment that France would agree to the abandonment of all the sanctions, it was possible that this concession would strengthen the position of the German Government, but it was also possible that it would not strengthen it, and that the Government would be replaced by another which, so encouraged, would show itself less conciliatory. The situation would then become very

¹⁹ See No. 50, Appendix 5, p. 360.

²⁰ This statement was made in the Reichstag on May 10. For the German Government's reply of May 11 to the ultimatum of May 5, see 141 H.C. Deb. 5 s, cols. 1878-9.

²¹ See J.O., Chambre: Débats, May 24, p. 2361, col. 1.

dangerous. Instead of being able to improve the relations between France and Germany, they would be rendered still more difficult. French public opinion had never proposed to humiliate and uselessly tread down Germany. To attribute such a view to her would be almost equivalent to injuring a country which had manifested patience, of which France had not ceased to give proof for over two years, when the recollection of another war had been recalled to her, and she remembered the way in which Germany had behaved in 1871. One was confident [? had confidence] in the country which had mobilised a class and then had resisted the temptation to make use of that class. It proved that that country had some generosity! When France was fully satisfied that she could, without danger, suppress the military sanctions, Lord Curzon would be astonished at the promptitude with which she would fall in with his wishes.

The 31st August would be an interesting date so far as concerned Germany's indication of her good intentions. The facilities given in the matter of control, the arrangement of the question of the criminals, were elements to be borne in mind.

The French Government in one word had in no wise refused to adopt Lord Curzon's suggestion, but it asked that there should be still some more delay. The question was not yet ripe. If at the end of the month Germany fulfilled her engagements, if facilities were given to the Commission of Control to execute their task, one could, at the next meeting of the Supreme Council, undertake the consideration of the question with some chance of reaching a satisfactory result and one compatible with the legitimate anxiety which France felt for her security.

M. LOUCHEUR said in reply to Marquis della Torretta that the reservation concerning export licences referred only to the Rhineland and not to the whole of Germany.

M. Tirand²² said that it was a question whether the Allies should exercise supervision on the delivery of the licences demanded by firms situated in the occupied territory. The system of discrimination was especially intolerable because it affected the protection of the Allied armies.

MARQUIS DELLA TORRETTA said that this system of granting licences might injure Italian trade; for example, the High Commission for the Rhineland might permit imports, while on the other hand the Germans themselves might refuse to licence imports from Italy.

M. LOUCHEUR thought that there had been a misunderstanding: the question was as to imports on the left bank of the Rhine. The treaty provided that no discrimination should be made to the detriment of Allied merchandise entering Germany. But Germany systematically refused import licences, at least in the case of imported products not coming from neutral countries. The question was one of imports of wines, oils and ores. It was not proposed to deprive the German Government of the right of issuing licences. It was simply a question of reserving to the Rhineland High Commission

²² French High Commissioner and President of the Inter-Allied Rhineland High Commission.

supervision so as to secure that the interests of the Allies were not illegally affected. It would be fully understood that an Italian representative would participate in the control to be set up.

M. JASPAR said he was very glad the French Government proposed that the economic sanctions should be suppressed. Not only was it an act of kindness to the Germans, but it would put an end to certain disagreements to which the economic sanctions gave rise and in which Belgium was interested. It was therefore of importance as tending to promote the solidarity of the Allies.

He noted M. Briand's declaration that these sanctions did not possess a permanent character, and he asked the French Government if they would not go further and consider whether the situation by the 1st November would not be such as to allow these sanctions to be raised. If this were announced it would create a good impression, showing that the removal of the military sanctions was dependent upon Germany's good faith.

VISCOUNT ISHH said that the Japanese delegation agreed that the economic sanctions must go, and would like to find a practical agreement on the subject of the military sanctions. Lord Curzon had asked for a certain date in the near future, and he understood M. Briand to have given a hint that the matter would come up at the next meeting of the conference.

LORD CURZON said he was glad to hear from M. Briand that the French had a great surprise in store, in that he had indicated that at the next meeting the French Government would make proposals for the complete withdrawal of the military sanctions. He was therefore looking forward with great pleasure to the next meeting, and if M. Briand did not make the proposals he would have great pleasure in doing so himself. It was necessary to get guarantees from the German Government to cover the actions of Allied officials and others done in pursuance of ordinances of the Inter-Allied Rhineland High Commissioners which might have been ultra vires. The High Commissioners would have to draw up an ordinance for the purpose in the Rhineland and would have to secure that the German Government arranged that full effect should be given to the indemnity in Germany proper. M. Loucheur had mentioned a reservation in respect of [? the] licensing system for goods entering and leaving the occupied territory. This matter was a technical one, and it was difficult to express an opinion without an opportunity for consideration. M. Loucheur said that the lifting of the economic sanctions was conditional upon the acceptance of this condition. He would like the matter to be referred to the other Allied experts as well as to the French experts and was prepared to send British experts to Paris at once for the purpose. The experts could examine the extent to which the German system worked in violation of the anti-discrimination clauses of the treaty.

M. Jaspar thought that the High Commission and the experts should examine on the spot as to the possibility of proving that the German Government had accorded different treatment according to the country of origin of the goods.

- M. Seydoux²³ observed that this had already been done. The question had been studied by the Conference of Ambassadors and by a committee of which Mr. Fountain of the Board of Trade and M. Dell'Abbadessa (Belgium)²⁴ had been members. All were convinced that the Germans had discriminated against the Allies in an unwarrantable manner. The facts were then embodied in a note to the Germans of the 22nd June, 1920, which had been sent by the Conference of Ambassadors.²⁵
- M. JASPAR said the conference would be glad to hear that all the experts necessary were already on the spot at Coblenz.

The conference agreed that during the adjournment for tea the financial experts should confer and endeavour to arrive at a formal resolution.

- 4. Inter-Allied Military Committee. Report on the Military, Naval and Air Commissions of Control
- M. Briand suggested that while the above resolution was being drafted the conference should turn to the report of the Inter-Allied Military Committee of Versailles on the work of the Military, Naval and Air Commissions of Control which had been referred to that committee by the conference during the present session (see Appendix 5 in No. 12²⁶—A.J. 303).

MARSHAL FOCH said that the draft of a resolution relating to the Aeronautical Commission had been handed to the British delegates for their approval at the conclusion of the morning's meeting, as follows:—

'The Supreme Council have decided that subject to failure to observe the conditions of the execution of the treaty, of which the Supreme Council will remain the judge—

- '1. The Inter-Allied Aeronautical Commission of Control shall be reduced to fifteen officers on the 30th September, 1921.
- '2. The commission shall terminate its work and leave Germany on the 31st December, 1921, and the embargo on the construction of German aircraft will be withdrawn as from that date provided that the organisation specified in article 3 below shall enter upon its functions by the same date.
- '3. At the end of this period, viz., the 31st December, 1921, the Commission of Control will give place to the body or organisation charged with the duty of supervision in the future so far as concerned the execution by Germany of article 198. The Supreme Council equally decides that there is no occasion to communicate these dates to the German Government.

'With regard to the future Commission of Supervision, it was proposed that the effectives of the Commission of Supervision shall be fixed by the Inter-Allied Committee of Versailles. They shall be revised each year

- ²³ Head of the commercial section of the French Ministry of Foreign Affairs: M. Seydoux had attended meetings of the Conference of Ambassadors in 1920 when these questions had been discussed.
 - 24 This word should have read '(Italy)'.
 - 25 Printed as No. 167 in Cmd. 1325 of 1921; cf. Vol. IX, No. 521, n. 4.
 - ²⁶ i.e. No. 103 above, Appendix 5.

or periodically by this committee. The commission shall reside in Germany in the places which shall be fixed by the Inter-Allied Committee of Versailles.'

LORD CURZON said he could not accept this without reference to his Government. The last resolution decided the case against him by providing for the residence of the commission in Germany. As he had said, he was quite willing to take the proposal back to his Government, but he could not himself accept it.

M. Briand then said that the resolution would be passed, the consent of the British Government being reserved. He understood that the other delegates were agreed, and the resolution would only be published when the British answer was received.

LORD CURZON pointed out that in that case, if the British Government refused, it would be alone amongst the Allies. That would not be a fair position in which to put it. The Powers had not been agreed in the morning's session, and the British Government should be given the opportunity to consider the matter, which should be re-examined.

M. Briand said it was necessary that the resolution should be a unanimous one, and it must therefore be suspended until the consent of the British Government was received.

LORD CURZON agreed to this procedure.

The conference agreed—

That no resolution should be taken and the question should be adjourned until the next meeting of the conference.

Rules as to Civil and Military Aircraft

M. Briand said that he understood that the rules relating to the distinction between civil and military aircraft would be adopted.

LORD CURZON said that rules 1-7 were accepted, but the others were not.27

M. Briand said that in the circumstances it would be better that the whole matter should be reconsidered at the next meeting of the council.

This was agreed to.

Military Control Commission

MARSHAL FOCH then read the text of the report of the Versailles Military Commission on military controls (see Appendix 6, A.J. 302).

LORD CURZON said that it was obviously desirable that the Military Commission, which was very large, should be reduced as soon as possible. There was now no need for so many men, and the question of cost was a serious one. In discussing the report of the Air Commission that morning²⁸ he had understood that the cost would be paid for by the German Government, but he was told that he was mistaken and that the cost would be borne by the Allied Governments.

There was no reason why the same should not be done in respect of the

²⁷ Cf. No. 95, minute 2. ²⁸ See No. 103, minute 8.

Military Commission, and it was certain that as soon as the Allied Governments realised that they had to pay, they would reduce the numbers.

M. Briand said that it was easy to explain the matter. The Aeronautical Commission would have shortly finished its task, but as at the moment of its disappearance one would have fixed the character of military and civil aviation, and what Germany would be allowed to construct on the new basis, the Allies had decided that it would be useful to maintain control.

This control not being contemplated by the treaty it was right that the cost of such supervision should fall on the Allied Governments. The Commission of Military Control, on the other hand, was different in that it was an organisation set up under the treaty; it had not terminated its work, this was the fault of Germany herself, and due to her ill-will and resistance.

LORD CURZON said that if the Allied Governments had to pay the cost of the Military Commission it would be a very effective means for reducing its size. The report contemplated continuous and progressive reductions, a view which he entirely accepted, but he thought the Allies should pay the cost.

M. Briand said that if Lord Curzon's proposals were immediately accepted the Allies would have encouraged the Germans in their resistance. Germany would no longer have any interest in hastening the dissolution of the Control Commission.

MARSHAL FOCH remarked that the reductions asked for by Lord Curzon were provided for in the report.

The conference accepted the proposals in Part III, paragraph 1, of the report of the Military Commission (see Appendix 6, A.J. 302).

The question of the future supervision of the military armaments and organisations of Germany after the execution of the terms of the treaty was adjourned for later consideration as no agreement could be reached on the question whether the commission entrusted with this work should or should not reside in Germany.

[Naval Commission of Control]

The commission then proceeded to consider the report of the Versailles Military Commission on the Naval Commission of Control.

ADMIRAL DE MARGUERYE²⁹ read the text of the commission's report (see Appendix 7, A.J. 304).

M. Briand said that in the resolutions submitted by the commission, one point had been reserved for the Supreme Council, whether the commission should reside in Germany or elsewhere.

Lord Curzon said that this commission had practically finished its work, but still maintained a greatly exaggerated staff—some 236 officers and men. The German navy had ceased to exist.

It appeared from the report that the commission were not able at present to give any date for the termination of their work and their withdrawal. It seemed, however, that there was no work left for them to do, and he was informed that the whole body could be withdrawn at the beginning of 1922.

29 Vice-Chief of the French Naval Staff.



ADMIRAL DE MARGUERYE said that it seemed excessive to say that the commission had terminated its labours. There were several matters remaining to be completed.

The delivery of material in restitution for the sinking of the German fleet in Scapa Flow, 30 9,000 tons to be delivered now and 79,000 tons subsequently. France and Italy were interested in this tonnage. The destruction of war material had not yet been completed. While the disposal of 90 per cent. of the material in Berlin and at Cuxhaven was completed, only 70 per cent. had been completed at Wilhemshare [Wilhelmshaven]. Moreover, the control of the matters relating to the Diesel engine³¹ wanted careful watching, there was danger that the Germans would dissimulate in the matter. As regards staff and effectives, the Germans had certainly more than the number of men allowed them-15,000. Moreover, they had not kept their contracts with their men. Many men were sent on leave while others were taken in for instruction concurrently, so as to make the number of effectives appear below what they really were. He drew the attention of the conference to the staffing of the commission, which is composed of 125 British, 39 French, 18 Italian and 5 Iapanese officers. He asked that the Commission of Control should be reduced in future on a basis which would secure proportionate reductions of each Allied delegation, the commission to be left free to arrange for its own reduction, and suggested that the commission should survive until the organisation of the League of Nations for the purpose of preventing infringement of the treaty was ready. He had no objection to the residence of the commission in some place in Germany other than Berlin if that were desired.

LORD CURZON pointed out that the figures given by Admiral Marguerye showed that Great Britain was affected much more closely than any other Power. As regards material, he would point out that the most important point was in connection with the restitution for the destruction of the German fleet in the Scapa Flow, and did not arise out of the treaty. He hoped that the reductions would be taken in hand with energy, and that the early disappearance of the commission would shortly take place. He earnestly hoped that there would be no question of a permanent commission. Ships could not be built in the dark, or taken out to sea for training without it being known. The insistence of setting up a commission of control to the navy would appear to the Germans to be futile and unnecessary. He felt obliged to speak strongly in the matter because Great Britain was so closely concerned, and if his Government thought that the Navy Commission was no longer necessary he might find it necessary to ask for its cessation.

M. Briand found it easier to agree with Lord Curzon in as much as he thought that the British representatives on the commission were in part responsible for the prolongation of the work. He pointed out that the decision submitted to the conference by Admiral de Marguerye had been reached

³⁰ On June 21, 1919, by order of Rear-Admiral von Reuter. For the penalties exacted, see the Protocol dated Jan. 10, 1920: *B.F.S.P.*, vol. 113, pp. 1053-4.

³¹ See Appendix 7, § 6.

unanimously by the naval advisers. Could the Supreme Council take a contrary decision?

LORD CURZON said he did not dissent from the report, he merely asked for a reduction of the commission, the only point of dissent was the establishment of a permanent commission sitting in Germany.

ADMIRAL DE MARGUERYE pointed out that that was only until the machinery of control was set up by the League of Nations.

LORD CURZON said that it would be necessary for him to consult his Government.

The conference agreed—

To accept the report of the Inter-Allied Military Commission of Control in Germany on naval control (Appendix 7, A.J. 304), on the understanding that the points raised by Lord Curzon were reserved for further consideration.

5. Economic Sanctions

M. LOUCHEUR read the text of a resolution relating to economic sanctions which had been unanimously passed by the experts of all the Governments concerned.

M. JASPAR drew the attention of the conference to the fact that it did not appear in the resolution that the economic sanctions were being withdrawn.

LORD CURZON said that it was not necessary to state it in that connection. The sanctions were being withdrawn, but that could be done by other means.

- M. LOUCHEUR said that it looked like an alternative.
- M. JASPAR said that it was purely a question of form.
- M. Briand asked that thought should not only be given to German public opinion, Allied opinion should also be considered, the latter would realise that the sanctions had been withdrawn without the necessary guarantees being secured. Besides, the Allies could trust in the good sense of the Germans; they would be quick enough to realise the significance of the resolution.

The conference accordingly agreed—

To the resolution on economic sanctions submitted by the experts (see Appendix 8).

6. Conclusion of Proceedings

M. Briand said that the conference had now reached the end of its labours, and he had to congratulate himself, in spite of the many anxieties of his position, that the whole proceedings of the meeting had been so fruitful and had been conducted in a true spirit of agreement and conciliation. The other members of the conference had had their own anxieties, but possibly had found in Paris attractions which had helped to make their visit a pleasant one. The Supreme Council had managed to survive another meeting, in spite of the gloomy prognostications of its critics, and there could be no doubt that the council must be endowed with some very vital force, for, in spite of blows constantly received, it always seemed to renew its youth.

There could be no doubt that the meeting now ending had been one of a most important character. Even if nothing else had been settled, the conclusion reached by the conference respecting Upper Silesia would mark the meeting as having been one of the greatest moment. It seemed to him (M. Briand) very desirable that the public, which was perhaps not always very well informed as to the proceedings of the council, should be brought to realise how necessary unity among the Allies was for the maintenance of the peace of the world, and he therefore suggested that the conference should pass unanimously the following resolution:—

'In ending its labours, the Supreme Council affirms once more its will to maintain the full agreement of the Allies, which it holds is more than ever indispensable for the maintenance of the peace of the world.'

LORD CURZON agreed with M. Briand that the present had been a most important conference. Mr. Lloyd George had said at the opening of the proceedings that the meeting was one of the most important inter-Allied conferences which he had ever attended, and, while it was true that the conference had failed itself to settle the most important subject (namely, that of Upper Silesia) on its agenda, it had clearly indicated the way in which it thought the question should be solved. He (Lord Curzon) had been amply compensated for the labours and anxieties of the meeting by the urbanity, tact, statesmanship and eloquence and impartiality displayed throughout the meetings by M. Briand, and for his impartial conduct of the proceedings. It was impossible to pay too high a tribute to the way in which M. Briand had managed the affairs of the conference, to which the success of the meeting must be largely attributed. The proceedings had demonstrated that the alliance was based on community of interests and the recognition of the Allies' common duty to the world. He (Lord Curzon) most cordially welcomed M. Briand's resolution, and he desired personally to thank him for making the meeting such a success and to thank the French Government for the hospitality extended to the British delegation.

SIGNOR BONOMI thanked M. Briand for the manner in which he had conducted the conference and for the hospitality given to the Italian delegates. He entirely agreed with what Lord Curzon had said as to the community of interest of the Allies, and he felt confident that the proceedings of the conference would result in the increased well-being of the nations of Europe.

BARON HAYASHI said that he was very happy indeed to support the resolution and to thank the French Government for its hospitality.

M. JASPAR, in thanking the French Government, said that, although the Belgian delegation had only taken a part in some of the proceedings of the conference, he thought that their presence had been helpful. At the same time, he was quite certain that the unity of the Allies would have been maintained whether Belgium had been present or not.

COLONEL HARVEY said that he felt that he had done very little, if anything, towards assisting in the proceedings of the meeting. The conference would no doubt accept his excuses and extend its indulgence to him, realising that

it was not possible for him to take a different line. It gave him great pleasure to support the resolution which had been moved by M. Briand. He thanked the French Government for its hospitality and for the many courtesies extended to himself, particularly by M. Briand, who had presided with such success over this remarkable gathering.

(The proceedings terminated at 8.30 p.m.)

Hôtel Crillon, Paris, August 13, 1921.

APPENDIX I TO No. 104

1. Arbitration in Respect of Part VIII, Annex II, Paragraph 13, of the Treaty of Versailles

Translation

The Finance Ministers of Belgium, France, Great Britain and Italy unanimously recommend to the Supreme Council that a protocol amending paragraph 13 of Annex 2 of Part VIII of the Treaty of Versailles and the corresponding paragraphs of the Treaties of Saint-Germain and Trianon, bearing the addition after the letter F of the following clauses, should be adopted without delay:—

'In case of differences of opinion between the delegates on the interpretation of the stipulations of this part of the present treaty, the question will be submitted by the unanimous agreement of the delegates to arbitration. The arbitrator will be selected unanimously by all the delegates, or, in default of unanimity, will be nominated by the Council of the League of Nations. The finding of the arbitrator will be binding on all the interested parties.'

The representative of the Japanese Finance Minister declares himself in agreement with this proposition, but, in the absence of instructions from his Government, it is necessary for him to make a formal reservation.

APPENDIX 2 TO No. 104

2. Interpretation of the Spa Agreement

Translation

Each Government will give its instructions to its representative on the Reparation Commission so that he may interpret the financial arrangement signed at Spa according to the provisions of section 13 of Annex 2 of Part VIII of the Treaty of Versailles.

APPENDIX 3 TO No. 104

Cost of Armies of Occupation after May 1, 1921

Translation

The Finance Ministers of Belgium, Great Britain, France and Italy and the representative of the Japanese Minister of Finance recommend that the Supreme Council shall consider the advisability of giving effect at the earliest possible moment to the agreement arrived at on the 16th June, 1919, by the United States, Great Britain and France for limiting the total annual costs of the armies of occupation of the Rhine territories to a certain maximum.

1. XV 753 3 C



They consider that this course would be of service from the point of view of reparation payments, and should be brought into full force as soon as circumstances will permit.

APPENDIX 6 TO No. 104

(A.J. 302.) Report of the Inter-Allied Military Committee of Versailles to the Supreme Council on the Question of the Commissions of Control

Resolution adopted by Supreme Council:—...32 The following representatives were present at the meetings of the Inter-Allied Military Committee of Versailles:—

1. Naval

Commander Nicholson (British navy). Admiral Grasset (French navy). Commander Ruspoli (Italian navy). Captain Inouye (Imperial Japanese navy).

2. Aeronautical

General Groves (British army). Captain Poupon (French army). Colonel Piccio (Italian army). Major Sakai (Imperial Japanese army).

Report on Military Clauses

Part I.—Report on the Work done by the Commission of Control in the execution of the Military Clauses of the Peace Treaty

Important results have been obtained.

1. Effectives and Cadres of the German Army

The army has been reduced to the strength of 100,000 men and to the composition fixed by the treaty (execution of articles 160–163).

2. Armaments, Munitions and Material

- (a) Destruction controlled or carried out by the Allied Military Commission of Control (see Annexure 1 attached³³ (execution of article 166)).
- (b) Armaments of fortified places which Germany is authorised to keep have been reduced to the total fixed by the treaty (execution of article 167).
- (c) The nature and mode of the manufacture of explosives and chemicals have been disclosed (execution of article 172).

3. Recruiting and Military Instruction

- (a) Conscription has been abolished (execution of article 173).
- (b) Military schools have been reduced to the number fixed by the treaty (execution of article 176).

4. Fortifications

The destruction of fortified works which Germany is not authorised to maintain is practically complete. All this work should be complete by the 10th December, 1921 (execution of article 180).

This resolution of Aug. 11 is not here reprinted: it was the resolution recorded at the end of minute 2 in No. 95.

32 This resolution of Aug. 11 is not here reprinted: it was the resolution recorded at the end of minute 2 in No. 95.

List of War Material destroyed by the Inter-Allied Military Commission of Control in Germany up to July 30, 1921

Guns .			•	•				32,643
Trench mortar	s.	•	•			•		11,608
Machine guns	•	•	•					78,651
Small arms	•		•				•	4,011,755
Flammenwerfer (flame throwers)								1,021
Swords, bayonets, &c. (Armes Blanches)							•	3,612,153

[Part II.] - Work which Remains to be Carried Out

The results as given in Part I of this report cannot be considered either complete or final.

- (A) They are not complete.
- 1. The situation as regards the disbandment of the self-defence (Selbstschutz) defence organisations remains obscure. Germany has declared these organisations dissolved, but has not yet provided a list, and in consequence the control of the abolition of these units is made very difficult. In particular, the societies affiliated to the 'Orgesch'34 have not been enumerated. Consequently, as matters stand at present, Germany can still count on a really strong reserve, thanks to these organisations, which are composed of a large number of volunteers.
- 2. The effectives of the police have not yet been reduced to the number fixed by the Boulogne note, 35 and the police which are still in existence are of a military mobile character, which is contrary to the decision of the Boulogne note. The German Government, in spite of the decisions which have been notified to them concerning this question, have asked, and still ask, [for] explanations and additional details. In this way the time is prolonged during which the police form an additional body, equal in strength to the Reichsheer, capable of forming cadres of officers and n.c.os to the reserves of volunteers.
- 3. The transformation of factories³⁶ to commercial uses is still delayed under various pretexts, and thus the possible production of war material remains a danger.
- 4. The control of the delivery of material declared by the German Government is not finished. This work is carried out at 200 centres of destruction and 300 depots of material, which does not include units of the army and police formations which are even more numerous.
- 5. Moreover, it is impossible to rely entirely on the material declared by the German Government, and the Inter-Allied Military Commission of Control has not yet been able to obtain the original or basic details (lists showing the armaments at the time of the armistice), which are indispensable in order to arrive at the degree of disarmament which has been obtained as regards material.
- 6. Finally, the delivery and destruction of certain materials (wagons, bridging material, field bakeries, &c.) are obviously incomplete.
- (B) The résumé which is given below and which only covers the essential points shows that the results obtained are still incomplete. These results are, however,
 - 34 See No. 1, n. 9. 35 Of June 22, 1920; cf. No. 1, n. 6.
- ³⁶ Note in original: 'Of a total of 7,000 factories which are known at present to have manufactured war material, 2,000 remain to be visited; 5,000 have been visited or are about to be visited, but in the case of a few of the more important factories, the necessary destruction will not be accomplished before the end of 1922.'



only temporary, and they will remain temporary, even when the above-mentioned shortcomings have been rectified, for the following reasons:—

- 1. The self-defence (Selbstschutz) units which have been dissolved can be easily reconstituted if a strict control is not maintained for a sufficient time. The Reichsheer and the police can carry out military instruction for a large number of volunteers by means of falsifying leave returns and returns of men discharged. Thus not only can the existing reserves continue, but they can increase.
- 2. The German Government has tried up to the present to keep under a civil heading the largest possible number of officers and military officials, and to leave in the central administration and to the auxiliary services the minimum cadres necessary for mobilisation. The examination of a normal budget, which cannot be done until 1922 (the budget of 1921 being still abnormal), would help to ascertain whether the German Government were keeping to their legal organisations. This is a point which should be emphasised.
- 3. War material can be increased fairly quickly, firstly by manufacture, and secondly by means of importation.

It will consequently be necessary to set up a control organisation that will last for some considerable time.

From the preceding brief summary of the situation the following conclusion has been reached:—

The Inter-Allied Military Mission [sic] of Control in Germany has not yet completed its task. As regards the date of the complete execution of its work, no definite forecast can yet be made. On the one hand, it is necessary to take into account the goodwill or otherwise of the German Government, whose attitude has for the last eighteen months varied considerably, and, quite recently, after having been satisfactory for some time with good results, again shows signs of reaction. On the other hand, vide the above statement, the original statements (lists of armament of November 1918) have not yet been supplied, and consequently it is not possible to form an exact opinion as to the complete nature of the surrenders of material which have been made.

Part III.—Proposals

In these circumstances, it is recommended—

1. To allow the Inter-Allied Military Commission of Control in Germany to continue the execution of its duties on the understanding that this commission will carry out progressive reductions of personnel in accordance with the situation. It is intended to reduce the Sub-Commission of Fortifications (twenty officers) by 50 per cent. by next November, and to dissolve it in January 1922.

A considerable reduction (at least fifty officers out of 180) can be carried out in the Armaments Sub-Commission by January 1922.

Further reductions are contemplated, but can only be carried out if the German Government assists in the complete and loyal execution of the treaty. No exact details can be given at the present time.

- 2. To hasten the execution of the military clauses of the peace treaty by reminding the German Government of the engagements which it has already given.
- 3. In these circumstances, it seems at the present time premature to lay down the exact method in which the future control of the military execution of the treaty will be carried out.

Each delegate now adheres to the opinion which has been expressed (on behalf

of his country) on the question of aeronautical control, with a view to adopting a similar method for the future control of the execution of the military terms of the treaty, when the time has arrived for this to be done.

APPENDIX 7 TO No. 104

(A.J.304.) Report of [? on] the State of Work of the Naval Inter-Allied Commission of Control in Germany

1. Heligoland (article 115)

The work allotted to the Sub-Commission (C) is very well advanced. It can be said for certain that they will be finished in 1922, taking into account the proposals of the Commission of Control which are at present under consideration by the Conference of Ambassadors.³⁷

2. The Post-War German Fleet (articles 181 and 182)

The terms of the treaty have apparently been carried out, but control is still necessary to verify that only the authorised ships shall be armed.

3. Mine-sweeping (articles 182 to [? and] 193)

This work is finished in [the] North Sea and is practically finished in the Baltic.

4. Personnel (article 183)

The personnel has been reduced to 15,000 men, but no verification has been made that the second line [? paragraph] of article 194 has been carried out and that a larger number of recruits have not been called to the colours.

5. Destruction of Surface Ships under Construction (article 186)

This is being carried out satisfactorily as well as the work of transformation of battleships into commercial vessels.

6. Destruction of War Material and Inspection of Factories (articles 189, 192, 168)

This is being carried out at a normal rate except regarding the Diesel engines, motors for Zeppelins and fast battleships. The Diesel motors for submarines should be transformed for commercial purposes by the 1st November. A quantity of spare parts for these motors is still in existence in Germany. The destruction of special tools for the manufacture of naval war material is not yet complete. The verification of authorised stocks of munitions has not yet been finished.

7. Coastal Fortifications

This work is being carried out in liaison with the Military Commission.

8. Delivery of Plans and Documents (articles 206 and 209)

As regards certain interesting apparatus such as range-finders, &c., the Germans pretend that these plans no longer exist.

³⁷ Note in original: 'The Sub-Commission (C) will be done away with on the 1st October, 1921. A visiting inter-Allied commission could every three months consider how the work is being carried out (letter from Admiral Charlton [President of the Inter-Allied Naval Commission of Control], dated the 23rd July, 1921, submitted to the Conference of Ambassadors).'



Note.—(1.) There still remains to be delivered certain port material of the second part of the protocol dated the 10th January, 1920, as compensation for Scapa Flow.³⁸

(2.) Delivery of Surface Battleships (articles 184, 185 and ultimatum of London).

This work is finished except that which concerns cruiser and torpedo material delivered to France and Italy.

The Germans have delivered the greater part of strictly military material with the exception of certain extremely important and interesting apparatus such as range-finding apparatus, 60 cm. torpedoes which they have destroyed and pretend they cannot replace. The greater part of the military material which is to be credited to the reparations account such as boilers, spare parts and navigation instruments, &c., have not yet been delivered. The execution of this clause of the ultimatum of London has not yet been carried out, and it is not considered it will be until the 1st April, 1922.

Grasset.
Nic[h]olson.
Ruspoli.
Yasuoko.

Note as regards the Naval Clauses of the Peace Treaty

- 1. The Commission of Control itself will propose at the moment when the clauses of the treaty, the decisions of the Supreme Council and of the Conference of Ambassadors will be carried out that the commission should be gradually reduced.
- 2. The reductions will be carried out in such a way that each country will have one representative on the commission so that each country can guarantee that their part of the control is effective.
- 3. The Commission of Control will be dissolved when the conditions of disarmament for Germany laid down by the treaty, by the decisions of the Supreme Council and by the Conference of Ambassadors have been carried out.
- 4. After the execution of the clauses of disarmament as given above, the experts propose to maintain a reduced commission to ensure that Germany does not break the conditions which have been imposed on her. The British naval expert considers that this commission should reside permanently outside Germany and that it will not go into Germany except to make investigations. The French naval expert considers, on the other hand, that this commission should reside in Germany. The Italian and Japanese naval experts consider that this decision has a political character and they will not give any opinion on this subject.

Grasset.
Nic[h]olson.
Ruspoli.
Yasuoko.

³⁸ See n. 30 above.

Appendix 8 to No. 104

Abolition of the Economic Sanctions

In view of the acceptance by Germany of the ultimatum of the 5th May, 1921 and in view of the first payments made by Germany to the account of reparations and subject to the payment by Germany of the full sum due from her on the 31st August, 1921, the Supreme Council unanimously decides to abolish the economic

sanctions instituted by it on the 7th March, 1921, this decision to come into effect on the 15th September, 1921.

- 2. At the same time this decision is subject to the following conditions, which are to be previously accepted by the German Government:—
 - (a) The constitution of an inter-Allied organisation which will collaborate with the competent German authorities for the examination and delivery of licences for the importation and exportation of goods to and from firms in the occupied territory of Germany as defined by the Treaty of Versailles; the sole object of this organisation being to ensure that the operation of the German system does not result in setting up discriminations contrary to the provisions of articles 264 and 276 of the treaty so far as the occupied territory is concerned.
 - (b) Recognition by the German Government of the validity of all acts done during the existence of the sanctions in pursuance of the ordinances of the Inter-Allied Rhineland High Commission passed in execution of the decisions of the London Conference of the 7th March, 1921; and a guarantee for the protection of all persons against the legal or administrative consequences of any acts done by them in accordance with the above-mentioned texts.
- 3. The Inter-Allied Rhineland High Commission, with the participation of the delegate of the Italian Government, shall have power to order and to carry out all executive measures and all measures during the period of transition as regards the decisions set out above; and also as regards the disposal of the sums raised and the legalisation of any expenditure that has been or is to be incurred.
- 4. The precise form of the organisation mentioned in paragraph 2 (a) above is referred by the Supreme Council to a Committee of Allied Experts, one to be nominated by each of the Governments participating in the occupation and by the Italian Government, with instructions to submit proposals to the Governments before the 1st September.

The experts will meet at Coblenz as soon as possible to consult with the delegates of the German Government.

CHAPTER VII

Conversations in London between British and French Ministers December 19-22, 1921

No. 105

1.C.P. 209] British Secretary's Notes of a Meeting between Mr. Lloyd George and M. Briand, held at 10 Downing Street, S.W., on Monday, December 19, 1921, at 11 a.m.

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister; The Rt. Hon. A. Chamberlain, M.P., Lord Privy Seal; The Rt. Hon. Sir Robert Horne, G.B.E., K.C., M.P., Chancellor of the Exchequer; Sir Edward Grigg, K.C.V.O., C.M.G.; SECRETARY, Mr. Thomas Jones.

France: M. Briand, President of the Council; M. Loucheur [Minister for the Liberated Regions and Reparations]; M. Berthelot, Secretary-General of the Foreign Office.

INTERPRETER: M. Mantoux.

MR. LLOYD GEORGE expressed his regret that owing to a long standing engagement he was unable to welcome Monsieur Briand on his arrival last evening.

Monsieur Briand congratulated Mr. Lloyd George on the wonderful and impressive settlement of the Irish question which he had brought about.

MR. LLOYD GEORGE asked what procedure M. Briand would like to adopt in regard to the discussion. Would he like to make an opening statement on the French point of view.

Monsieur Briand hoped that there would be a general review of all the questions outstanding between the two countries.

MR. LLOYD GEORGE said he would leave questions affecting Asia Minor to be discussed between M. Briand and Lord Curzon and would prefer at this stage to confine the discussion to economic and financial problems and Sir Robert Horne would attend and also Mr. Chamberlain so far as his Parliamentary duties permitted.

Monsieur Briand agreed.

The Economic Situation

MR. LLOYD GEORGE proceeding referred to his recent preliminary conversation with M. Loucheur when they had been inclined to agree that it

¹ 'Articles of Agreement for a treaty between Great Britain and Ireland' had been signed in London on Dec. 6, 1921; for the text see B.F.S.P., vol. 114, pp. 161-5.

was necessary to go beyond the immediate problem of Reparations and endeavour to deal with the economic situation of Europe generally with a view to reaching greater stability.2 There had been conferences but grave difficulties remained. Was it not possible to reach beyond the provisional arrangements and put an end to the tension in which Europe had for so long been kept? France had a devastated area not yet restored and French public opinion, not unnaturally, was angry at the delay in repairing the damage of the War and at having itself to raise money to deal with the problem. This exasperation showed itself in personal attacks upon himself in the French Press. Here in England we had two million men out of work and were paying them more than f, a head per week; our Revenue is tumbling down and we have to effect the most drastic economies in order to make our Budget balance. It was quite probable that Germany could pay more than she says she can,3 but it must be remembered that she is only exporting 25% of what she did before the War, or if we take Herr Stinnes's figure, not more than 40%. Unless she exports she cannot buy. In this country we have to import from three-fifths to four-fifths of our food supplies from abroad. France is very nearly able to feed herself from her own produce. Germany imports between one-fifth and one-quarter of her food supply. She has to pay for this and also for raw materials. There was no question that Germany ought to pay and must pay; the question was how. Further military operations would only upset Europe and make payments more impossible. That was, broadly, the situation and if it was to be permanently relieved it was necessary that France and Great Britain should stand together. Taki [sic] Jonescu had recently remarked to him 'You are the only two powers left in Europe. When you act together we know where we are; when you don't we are in despair; in your co-operation lies the only hope of Europe'.5

Attitude of the U.S.A.

MR. LLOYD GEORGE continuing said he hoped that the United States with her great resources would have joined them but his information was that she

- ² For M. Loucheur's report of his conversation with Mr. Lloyd George and Sir R. Horne at 'Chequers', the Prime Minister's country house, on Dec. 8, see L. Loucheur, Carnets Secrets 1908-1932, pp. 185-8. M. Loucheur had been in England from Dec. 8-10.
- In a letter of Dec. 14, 1921, to the Reparation Commission, the German Chancellor, Dr. Wirth, had stated that the German Government could not procure for the reparation instalments due on Jan. 15 and Feb. 15, 1922, 'apart from deliveries in kind and the credit derived from the "Recovery Acts", a sum of more than 150 to 200 million gold marks' and was 'therefore obliged to request the Reparation Commission to extend the time limit for the payment of the portion of the instalments of January 15 and February 15 which it cannot pay at those dates'. This letter is printed as No. 5 in Official Documents relative to the amount of Payments to be effected by Germany under Reparation Account, vol. i, May 1, 1921–July 1, 1922 (London, 1922).
- 4 A prominent German industrialist: cf. No. 70, n. 13. Herr Stinnes had visited London, Nov. 10-24.
- ⁵ M. Take Jonescu, Roumanian Minister for Foreign Affairs, had visited London, Oct. 4-5.

would not do so. Had she come in the problem would have been comparatively easy. Great Britain is a creditor in Europe and a debtor in the United States. If the United States had let us off our debt we could reduce our demands on Europe and even on Germany. That would enable Germany to concentrate on the restoration of France and Belgium, but we cannot do so if we are under pressure to pay from the United States. We had to make up our minds to act without the help of America.

The position of Belgium with a smaller devastated area than France and without the burden of heavy war debts or the heavy up-keep of large numbers of maimed soldiers, was not comparable to that of France. The Reparation problem was essentially a French problem.

Monsieur Briand entirely agreed with the outline given by the Prime Minister. The United States for the present must be left out of account. The Senate there would not allow her active participation even if the Government were in favour. The question, however, was not insoluable [sic] if France and Great Britain acted together and with firmness. It was the strong and clear view of the majority of the French people that there must be close co-operation between the two countries, not only for the solution of immediate problems but in order to give something like permanent stability to Europe. He was ready to discuss the question from all points of view. Had Mr. Lloyd George formed any clear opinions?

MR. LLOYD GEORGE replied that he had been reflecting on the matter over the week-end and would like some further discussion with his two colleagues before advancing definite suggestions. He had taken upon himself the responsibility of suggesting to the Chancellor of the Exchequer that it was advisable to have Dr. Rathenau⁶ here. When their own conversations had proceeded further it might be found desirable for the Chancellor of the Exchequer, Monsieur Loucheur and Dr. Rathenau to confer.

Monsieur Loucheur answered yes, but only after the Allies had reached agreement among themselves.

MR. LLOYD GEORGE said, that is to say when we shall have been sufficiently informed.

Monsieur Loucheur suggested that it might be useful to frame two plans, one with America in and another with America out. In the first there might be included some inducement to the United States to participate. He referred to a recent speech of Mr. Hoover? who had stated that a settlement of reparations was an essential preliminary to a wider settlement.

MR. LLOYD GEORGE did not believe that the United States would come in until it had become quite plain to them that an attitude of selfishness blocked the way to the economic peace of the world. At present she neither under-

⁶ Dr. Rathenau, German Minister of Reconstruction in Dr. Wirth's first ministry, May-Oct. 1921, had visited London, Nov. 28-Dec. 10, on behalf of the German Government to explain to Mr. Lloyd George and the City of London financiers Germany's position with regard to the payment of reparations. He had returned to London on Dec. 18.

⁷ U.S. Secretary of Commerce.

stood nor realised the position and there was nothing to be done but to go on without her.

Monsieur Briand agreed that the United States would do nothing until she felt the reaction of European conditions on her own prosperity.

German Capacity to Pay

MR. LLOYD GEORGE asked what was the French view of Germany's ability to make immediate payments. Monsieur Briand said that since the full programme of payments had been drawn up the conviction had been growing that the German Government had not made the efforts expected of her to clear up the situation. The German Government had not put the necessary pressure on the big industrialists and bankers. If the German Government continued this timid policy towards the industrial magnates and financiers she will reach a position of complete impotence. Her first duty was to place her finances on a sounder basis and drastically reform her fiscal arrangements. She has really not begun to do this and was only marking time.

MR. LLOYD GEORGE asked Monsieur Loucheur what would be the yield of the Loucheur-Rathenau agreement next year, if it were ratified by the Allies.⁸ Monsieur Loucheur replied that it would be between one milliard and one milliard and a half of gold marks, including the value of the coal obtained.

THE PRIME MINISTER said he thought Great Britain could meet Monsieur Briand on the question of this agreement, if the difficulty of Belgian priority could be overcome. He, himself, had opposed the granting of this priority but had been overborne by Monsieur Clemenceau and President Wilson who had insisted on it. It was blocking the way now. Could Monsieur Briand find a way of getting over this difficulty?

At this stage it was arranged that the Chancellor of the Exchequer and Mr. Chamberlain should confer with Monsieur Loucheur at the Treasury on the question of Belgian priority and the Wiesbaden agreement; the Prime Minister remaining with Monsieur Briand and Monsieur Berthelot, to consider the larger political issues.

- 2, Whitehall Gardens, S.W., 19th December 1921.
- This Franco-German Agreement (the Wiesbaden Agreement) related to deliveries in kind by Germany; it had been signed at Wiesbaden on Oct. 6, 1921, and had been referred by the Reparation Commission, on Oct. 21, to the Governments represented on that Commission as they considered that it involved certain departures from the Peace Treaty. For the text of the Agreement and papers relating to it, see Cmd. 1547 of 1921.
- For discussions on this matter in the Council of Four, see F.R.U.S. The Paris Peace Conference 1919, vol. v, pp. 344-51, 419, 446-7, ibid., vol. vi, p. 638 and, for the final arrangements, pp. 645-8.

1.C.P. 209A] British Secretary's Notes of a Meeting between Mr. Lloyd George and M. Briand, held at 10 Downing Street, S.W., on Monday, December 19, 1921, at 12.15 p.m.

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister; Sir Edward Grigg, K.C.V.O., C.M.G.

France: M. Briand, President of the Council; M. Berthelot, Secretary-General of the Foreign Office; M. Loucheur (for part of the time).

INTERPRETER: M. Mantoux.

The discussion was then continued by the Prime Minister and M. Briand. M. Berthelot and M. Mantoux remained with M. Briand and Sir Edward Grigg¹ with the Prime Minister.

THE PRIME MINISTER asked what the situation was in France. He said that in England people were so concentrated on the problem presented by the low state of trade and the high state of unemployment that they judged everything from that point of view.

M. Briand said that in France the situation was extremely calm from the social point of view. Financial circles felt a certain amount of uneasiness but this was not shared by the people in general. Their sole pre-occupation was with the question 'Will Germany pay?' This pre-occupation was reflected very vividly in the Chamber. The general opinion of the country was that an understanding with Great Britain would put everything right. The extreme Paris papers did not reflect the average feeling in France. The great majority of French people were strongly in favour of steady co-operation and close relations with Great Britain. Even M. Poincaré² had now come over to that opinion. M. Briand added that there was a certain amount of irritation about the situation in Italy, where the French flags had been trampled upon and insulted.³ In reply to a question from the Prime Minister he said that he had made no remark at all of the kind reported by 'Pertinax'.4 On the contrary, on the day on which he was supposed to have made the remark cabled by 'Pertinax' he was engaged in very friendly discussions with Signor Schanzer.⁵ He had never said a word against Italy of the kind described. He had in consequence dropped 'Pertinax' altogether.

THE PRIME MINISTER said that the problem as it presented itself to him was one of increasing German exports. That was the only way to get cash out of Germany. He had, therefore, concentrated on the problem 'how to

- ¹ Private Secretary to Mr. Lloyd George. For the previous discussion, see No. 105.
- ² Senator for the Meuse and former President of the French Republic.
- ³ Anti-French demonstrations had taken place on Nov. 25 at Turin, Naples and elsewhere following the publication in Italy of an alleged utterance by M. Briand, at the Washington Conference on the Limitation of Armaments, referring in insulting terms to Italian policy and the Italian army.
- 4 Nom de plume of M. A. Géraud, the French journalist, to whom the origin of the remark in n. 3 above had been traced.
 - ⁵ Leader of the Italian delegation to the Washington Conference.

increase German exports', and had come to the conclusion that the only method was to open up Eastern and Central Europe to German trade. The great bulk of German trade was done there before the war. We had no great interest in Russian trade—it was only 5 per cent. of our total; but to Germany Russian trade and the trade of Central Europe was all-important. He thought that if German trade could be re-established in those regions and one-half or two-thirds of the proceeds definitely allocated to reparations, the problem of reparations would be very considerably advanced. France could only meet the requirements of her devastated region by raising a loan, and the loan could be raised if the Germans had some definite security to offer, such as 50% or 66% of their receipts from new trade in Eastern and Central Europe. At present Germany could not raise a loan because she had no security to offer which the City of London would accept. Herr Rathenau had failed on that account in the last month. If, however, Great Britain, France and the United States (for he thought we should at least invite the United States to participate) agreed upon a policy of this kind, it would be possible to raise money in all three countries for the benefit of the devastated area. At present France was only getting driblets in payment from Germany. He thought, however, that under the scheme he proposed Germany might be able to pay a steady 50 millions per annum and on this annual sum it would be possible to raise a loan of 700 or 800 millions sterling which would solve the French problem. He had consulted M. Loucheur about this plan, and M. Loucheur, as a business man, considered it practicable.

M. Briand thought the plan very good in principle, but feared that it would be necessary to wait a long time for any payment under it. There was no immediate market in Russia nor much of a market in Central Europe.

THE PRIME MINISTER suggested that this should be investigated by Sir Robert Horne, M. Loucheur and Herr Rathenau as a Sub-Committee acting informally. They might be instructed to investigate the matter and report to M. Briand and himself.

M. BRIAND, without replying to this suggestion, said that one fact in Germany was troubling him very much. A very sound German business man of moderate opinions, Herr Bergmann, had been in the United States when he, M. Briand, was there, and he had told many business men in the United States that Germany could pay the present reparations perfectly well if the German Government were helped, even in a minor way, by the big business men in Germany. It was quite evident that the real trouble in Germany was that the big business men were determined not to help the Government to pay. He thought that was the immediate problem to be dealt with.

THE PRIME MINISTER said that there was no doubt a good deal of politics

⁶ Cf. No. 105, n. 6.

⁷ Herr Bergmann had been head of the German delegation of financial experts at Brussels, Dec. 1920; see No. 7, n. 3(ii).

⁸ M. Briand had attended the Washington Conference on the Limitation of Armaments which opened in Nov. 1921, see Vol. XIV, Chap. vi.

in the present German situation. The German magnates did not like the present Government in Germany which was too democratic. They would prefer an autocracy or an oligarchy which they could control. This Government they would not help and wished to destroy. What did we want? We wanted a pacific Government like the present one, not a Government such as Herr Stinnes would like, whose main object was ultimate revenge. He was certain that Herr Stinnes meant to overthrow the Wirth Government and we should not play into his hands.

M. BRIAND said he had not hesitated to pay several public tributes to Wirth. Nevertheless, the weakness of the Wirth Government had made a bad impression in France. It was thought to be paralysed by its inability to deal with the German magnates.

THE PRIME MINISTER said that there was certainly a great lack of statesmen in Germany. That was their trouble not only now but before and during the war.

M. Briand said that in his opinion the soundest quarter in Germany was to be found amongst the working men and the petit bourgeois. He was, himself, in close touch with that element in Germany and he knew that they were disappointed with the Wirth Government. The disappointment extended to Social Democrats and even to Independents. The real influence of this quarter in Germany was shown by the fact that after the murder of Erzberger¹⁰ they managed to stop the re-actionary campaign absolutely.

THE PRIME MINISTER said that was true, but that he did not think it really explained the situation in Germany. He, himself, had a feeling that we were not giving Germany a sufficient inducement to do her best and that that was the reason why the German Government was in such difficulties. If we fostered hope in Germany—not the hope of becoming again a military power, but the hope of recovery and co-operation with other Powers—much more might be done by the German Government. He thought, for instance, that we might very well promise to withdraw a part of the Armies of Occupation if she paid her instalments regularly for two or three years. The Armies of Occupation were a terrible burden. They had already exhausted all her cash payments. She had lost heart in consequence. We should hold out some measure of relief, both from her burdens and from the indignity of a foreign military occupation, as an inducement to her to do her best. France's great inducement to pay off her indemnity after 1871 was the assurance that on payment the troops of occupation would be withdrawn.

M. BRIAND said that if Germany had shewn any real sign of determination to meet her obligations there would have been a great 'détent[e]' in French

⁹ Dr. Wirth had formed his second Cabinet on Oct. 26, charged with the task of putting into effect the Council of the League of Nations' recommendations relating to Upper Silesia which had been accepted by the Conference of Ambassadors on Oct. 19 and transmitted to the German Government on Oct. 20; for the recommendations see *L/N.O.J.*, No. 10–12, Dec. 1921, pp. 1223 ff.

¹⁰ Herr Erzberger, a former member of the Weimar coalition who had urged acceptance of the Allied ultimatum of May 5, 1921, and supported a higher taxation programme in Germany, had been assassinated on Aug. 26.

feeling towards Germany. What had happened? Threat after threat, default after default, evasion after evasion. All this had irritated French opinion. Many Frenchmen now travelled in Germany and they reported that never had German industry been so active. She was not only running her own factories at the maximum output but she was acquiring industries and newspapers abroad. The French Government could do nothing to moderate French opinion towards Germany while she shewed no real readiness to compensate France for devastation. For instance, France had just discovered that Germany was falsifying her statistics of export.

THE PRIME MINISTER: What is the French figure for the German exports? M. BERTHELOT intervened saying that the French Government had been checking the German returns of German imports into France. The German returns showed these imports at 40% of their pre-war volume. The French Government found upon examination that the actual import was three times this amount and actually greater than the pre-war amount.

THE PRIME MINISTER said that there might be some little falsification in the German returns but he was convinced that this would not lead them very far in understanding the situation and that they must look at the broad facts. We were very big purchasers from Germany before the war but we now took only a fourth in money value of what we did. The same was true of the British Dominions. Russia, Austria and the succession States were all large purchasers from Germany before the war, they also were now buying hardly anything. It was therefore unquestionable that Germany was actually exporting only a comparatively small percentage of her pre-war exports. The activity of her factories was due to inflation and it would lead to a crash. Owing to the depreciation of the mark Germans bought very little outside Germany, but they had plenty of paper money inside; and as the value of the paper was always falling, they hastened to buy commodities which they did not want merely because the value of any commodity was more stable than that of the paper mark. There was imminent danger in Germany of a crash leading to a Bolshevik revolution. If an efficient race like Germany turned Bolshevik it would be a catastrophe for Europe.

M. LOUCHEUR who had returned to the room at the beginning of the Prime Minister's preceding remarks, considered that German bankruptcy was a certainty. He said that financial reform must be imposed upon Germany. Her present condition was not due to the burden of reparations; it was due to bad finance.

THE PRIME MINISTER said it was due to inability to export in sufficient quantity creating a financial situation which had been badly handled. Undoubtedly the situation in Germany was very serious. It was essential to deal with the problem presented by her exports.

M. LOUCHEUR agreed and said that in consequence the question of Russia and Austria imposed itself for treatment at once.

THE PRIME MINISTER said that that was why he had proposed that Sir Robert Horne, M. Loucheur and Herr Rathenau should go into the question at once informally with full power to get information from all sources in

London. He would like Sir Laming Worthington-Evans¹¹ also to be one of the Committee, as he had had great experience of business matters of this kind.

M. LOUCHEUR agreed and M. BRIAND concurred.

M. LOUCHEUR said that he would arrange to give Sir Robert Horne a note at 5 p.m. to-day and to meet him again to discuss it at 10 a.m. to-morrow.

THE PRIME MINISTER said that they had had a very useful preliminary survey of the question. He suggested that they should meet again in full Conference at 11 a.m. next day.

This was agreed.

THE PRIME MINISTER added that he hoped M. Briand was not in a great hurry to return to Paris. The real examination of the problem would take some little time.

- 2, Whitehall Gardens, S.W. 19th December, 1921.
- ¹¹ Secretary of State for War. For Mr. Lloyd George's proposal, see No. 105, p. 762.

No. 107

1.C.P. 210] British Secretary's Notes of a Meeting between Mr. Lloyd George and M. Briand, held at 10 Downing Street, S.W., on Tuesday, December 20, 1921, at 12 noon

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister (in the Chair); The Rt. Hon. A. Chamberlain, M.P., Lord Privy Seal; The Rt. Hon. Sir Robert Horne, G.B.E., K.C., M.P., Chancellor of the Exchequer; Sir Edward Grigg, K.C.V.O., C.M.G.; Sir Basil Blackett, K.C.B., Controller of Finance; Mr. A. Macfadyen, Treasury; SECRETARIES, Mr. Thomas Jones, Mr. R. B. Howorth, Mr. Pembroke Wicks.

France: M. Briand, President of the Council; M. Loucheur; M. Berthelot, Secretary-General of the Foreign Office.

INTERPRETER: M. Mantoux.

MR. LLOYD GEORGE said that he and his colleagues had considered certain unofficial proposals made by M. Loucheur. These proposals proceeded on a complete misconception of the conversations at Chequers. We were quite prepared to forego almost the whole of our claims in respect of reparations, and even of the debt due to us from the Allies if the United States came and forgave us our debts.

We owed the United States £1,000,000,000; the debt owed to us by the Allies and Germany was about £3,000,000,000. In order to make a clean start we were prepared to consider wiping out this debt, but inasmuch as the United States refused to participate we could not proceed with this proposal. If we did we might find the United States demanding £1,000,000,000

¹ M. Loucheur had been to 'Chequers' during his recent visit to England, cf. No. 105, n. 2.

from us while we were without redress against our debtors. With two millions unemployed we could not face our public in the situation which would then arise. With the United States in we could have reckoned on losing directly but gaining indirectly as the world's business revived. That being impossible we must seek another basis and fall back on the London Agreement.²

The London Agreement was an Agreement for the payment of a fixed annuity of 2 milliards of gold marks and a variable annuity obtained from German exports which might be estimated at 1 milliard of gold marks. Of this total of 3 milliard gold marks, Belgium had a priority claim for 1 milliard. This left 2 milliards for distribution among the Allies. Of this France was entitled, roughly speaking, to one half. How was this to be met?

On the basis of the Loucheur-Rathenau Agreement,³ France was due to obtain between 1 and 1½ milliard gold marks or their equivalent in materials, say, 1,200 millions of gold marks.

MR. LLOYD GEORGE continuing stated that if the costs of the Armies of Occupation were cut down to the figure which had been provisionally agreed upon at Paris, namely [2]40 millions of gold marks,4 there would be left 1,160 millions available for distribution. Of this sum France was entitled to receive 1,000 millions so that there would still remain a sum of 160 millions over and above the amount which France would be entitled to take. In other words on the above basis France would receive more next year than she was entitled to and Great Britain would be prepared as part of a general arrangement to abandon the contention that France should next year be made to account for the excess. In this connection it should be remembered that Great Britain was at present receiving very little in respect of reparation. The combined produce of the Reparations (Recovery) Act⁵ and the value of the aniline dye imports together only amounted to about 6 million sterling per annum. It would therefore be seen that Great Britain was actually receiving very little in respect of reparation but she was quite prepared to take some risks so as to secure an all round settlement.

The question of the effect on Belgium, Italy and the Dominions of any arrangement would have to be carefully considered. Speaking generally it would no doubt be possible to make some equitable arrangement with Italy and with the Dominions. The position of Belgium was somewhat different inasmuch as out of the thousand millions of gold marks which she was entitled to receive she would have to pay 480 millions to Great Britain. The British Government were quite prepared to negotiate with the Belgian Government on this matter and such negotiation would possibly take the form of postponing the Belgian payment due to Great Britain for some definite period.

The gross sum due from Germany in respect of the January and February instalments amounted to 750 million gold marks. From this figure must be deducted the value of the payments in kind and while it was impossible to

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<sup>2</sup> i.e. the Agreement of May 5, 1921; cf. No. 87.
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³ See No. 105, n. 8.

4 See No. 104, minute 2, §(3), p. 734.

⁵ See No. 49, n. 4.

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1. xv 769



put down a definite figure for that value it might be taken to be something between 150 and 200 million gold marks.

Monsieur Loucheur intervening said that the figure would be not more than 150 million gold marks.

MR. LLOYD GEORGE resuming said that this would leave 600 million gold marks which Germany must find and after very careful consideration he had come to the conclusion that if the Allies could definitely assure Germany that she would not be subjected to external pressure or disturbance if she faithfully carried out the arrangements already made with the Allies, including the Wiesbaden Agreement and co-operated in the economic restoration of Europe on the lines which he would indicate presently, she, Germany, would be able to find 500 million gold marks out of the necessary 600 millions. It should be remembered in this connection that the Reichsbank held a substantial sum of gold which was at present supporting the paper mark. If Germany could be given assurances of the kind he had indicated it might be wise for the German Government to devote some portion of this gold reserve to making reparation payments.

As part of the arrangement the Allies would have to inform Germany that she must put her house in order. She must for example cease paying subsidies; she must cease the printing of paper money; she must balance her budget; she must agree to the setting up of an Inter-Allied Commission in Berlin which should have the right of discussing with the German Government the financial situation and advising that Government on the best method of rectifying the present financial situation inside Germany. At the same time it was important that this Commission should not have the kind of powers which it would be necessary to give to a financial body entrusted with the control of finances in countries like Turkey or China. In his, Mr. Lloyd George's, view it would be necessary to give Germany more time for putting her house in order than was contemplated in Monsieur Loucheur's Memorandum. There was also the question of the price of coal. If the German Government took off the subsidies on the Railways and on Food it would be necessary to put coal on to a proper economic basis. At the present moment France was receiving coal from Germany at a price which worked out at 8/4d a ton or very much less than the French cost of production. One of the effects was that the French coal mines were finding it difficult to compete and the French miners were already complaining of the unfair competition.

It would be observed that under the plan indicated above Great Britain, Belgium, Italy and Serbia would have to consider the advisability of making their own arrangements with Germany for payment of reparations in kind. In the case of Great Britain it was clear that no substantial reparation payments could be hoped for for a year or two, and British public opinion would be most unwilling to forego the right to reparation unless there was some substantial inducement for so doing. That inducement could best take the form of the promise of a revival of the trad[e] of the world. In Great Britain the devastated area was British trade and France would be invited to assist

Great Britain in helping a general world trade revival. In particular he would propose that a great economic conference should be held, at which representatives of all European industrial countries should be invited to attend, and that this conference should be entrusted with the task of advising on the arrangements for the rehabilitation of Central and Eastern Europe. As part of the scheme for the resuscitation of Russia it was suggested that Germany should be granted facilities for the development of Russian industry and that she should earmark 50 per cent. of the profits derived from her activities in Russia to reparations. In this connection it should be noted that this 50 per cent. of the profits would be good security on which Germany could raise a loan.

The statement which he, Mr. Lloyd George, had just made indicated the lines on which the British Government was prepared to enter upon negotiations for a general settlement, and upon these lines the British Government were convinced that a satisfactory and equitable solution of the difficulties could be reached. He trusted that the French Government would agree to co-operate cordially on the lines which he had indicated. If, however, that Government felt unable to agree and preferred to adopt some such plan as that contained in Monsieur Loucheur's Memorandum then it was clear that France must go alone on the way which she had chosen for herself. Certainly public opinion in Great Britain would not for a moment tolerate any further disturbance of the world situation. Violent pressure upon Germany would simply result in hurling that country into bankruptcy and the consequential effect throughout the world would be incalculable. The French Government he felt sure would realise that there was no sympathy for aggres[s]ive action in Great Britain, or in America, or in Italy, and in his, Mr. Lloyd George's view, it would be most regrettable if after six years of cordial co-operation the Allies found themselves unable to march along the same road.

(The Conference adjourned for a short period to enable the French Delegates to confer amongst themselves, and re-assembled at 12.45 p.m.)

M. LOUCHEUR said that he had quite understood that the plan outlined by Mr. Lloyd George at Chequers, was conditional on the consent of America, and failing agreement with America, they were obliged to fall back on the London Agreement. He agreed with the presentation of the figures in respect of the London and Wiesbaden Agreements for the year 1922, with the following exceptions:—The 1,200 million gold marks, supposed to be the result of the Wiesbaden Agreement, did not represent the sum which would be credited to Germany in that year. The sum will be only 800 millions.

MR. LLOYD GEORGE: But the French would receive 1,200 millions.

SIR ROBERT HORNE: The objection of the Allies to the Wiesbaden Agreement was that France under the Agreement would take more than the Germans were credited with delivering.

SIR BASIL BLACKETT: (to Mr. Lloyd George) Germany is offering 200

millions. She ought to be made to pay 500 millions by drawing on the Reichsbank reserves. She would probably be willing to do so if she could get a general settlement.

MR. LLOYD GEORGE said that he thought the suggestion that had been made was a sound one: that if France under the Wiesbaden Agreement received more than her share of reparation this year she should not be called upon to pay the excess into the Reparation account. That might be agreed to for one year.

M. LOUCHEUR said that 500 million marks would not be an additional payment by Germany, but the difference between the sum she proposed and the 500 million marks would be taken from the Reichsbank reserves. This would have the effect, following Mr. Lloyd George's suggestion, that France would not suffer from any delay in the 1922 payments. The consequences would be felt by Great Britain, and it would also be necessary to see what view Belgium and Italy took of the matter.

MR. LLOYD GEORGE agreed that Great Britain would not get her share that year, but she must be allowed to get as much as she could.

M. LOUCHEUR said that calculations would have to be made to ensure the adjustment of the Wiesbaden Agreement to this arrangement. As to guarantees there was general agreement as to their purpose. It was merely a question as to how guarantees could be made effective. The French would no doubt receive less coal than they expected, but the present system was injurious to the French trade. He agreed that the purpose of a Commission of Financial Control was not to 'Turkify' Germany. The only question was how to secure effective control. Some sort of formula could no doubt be found, and he proposed that the experts, including himself, should draft such a formula and examine the figures in detail and should particularly enquire how the proposals could be fitted in with the existing Agreements.

MR. LLOYD GEORGE said the [? that] M. Loucheur referred to the reestablishment of Europe. Without that, public opinion in England would not tolerate the giving up of reparations. That is a condition of the British proposal.

M. Briand said he would like to add a few words with reference to the proposals for 1922, which were very different to what he had in mind after M. Loucheur's visit to Chequers. He fully understood from the Chequers proposals that they depended upon America coming in. If America was left out, the position was changed, and he was quite ready to consider the proposals that had been made for 1922. He thought it best to ask the experts to confer, and work out the figures and details.

In regard to the re-organisation of Europe, he need hardly say that if it were possible to do anything to lead to the restoration of Europe by the united efforts of the two countries, he would gladly co-operate. He did not know what plan could be devised, and he would like to hear what Mr. Lloyd George had in mind. The necessity was felt very keenly in France, as in England, for restoring European trade. If some solution could be found, he was sure France would be favourable to it. The question was what to do and how to

do it. Personally he had no suggestion to make, but he would be very glad to learn Mr. Lloyd George's views.

Mr. Lloyd George suggested that the experts should examine this question also, at the same time as the technical details of the reparation proposals, and that later M. Briand, Mr. Chamberlain, and he himself should consider their report. M. Loucheur and he had already discussed the matter. It would have to be done through Syndicates from France, Great Britain and Germany and possibly also Belgium and Italy, though they would not be able to help very much. America should at least be invited to co-operate. Syndicates should be formed with a view to the reconstruction of Central and Eastern Europe and this would probably involve considerable control, for example, of railways and other services in that area and in Russia. It should be possible to make an agreement that half the profits going to Germany as a result of these operations, should be allocated to the reparation account.

They should also consider whether it was desirable to see Dr. Rathenau in this connection or some representative of Russia. Germany would never be able to pay until trade was re-established in Eastern Europe. When that was done Germany would be able to pay cash. There must be a continuous flow of gold into Germany to serve as a basis for a loan. That could only be done by re-opening trade with Eastern Europe. The experts should make a preliminary examination and report. It was not possible to go to the British public with the offer that he had made unless the public saw a prospect of reconstructing Europe; with that they would make sacrifices, without it, it would not be possible to face them with a proposal of that kind.

It was very important that nothing should leak out at this stage into the Press. Neither Italy, Belgium nor America were represented and if anything appeared in the Press of both France and Great Britain a controversy would arise before agreement had been reached amongst themselves.

M. BRIAND said he quite agreed.

M. LOUCHEUR thought that it was very important that there should be no international conference until France and Great Britain had come to an agreement on principle.

M. Loucheur enquired whether the payments to the Reparation Commission arising from the efforts to re-open European trade should be added to the other sources of revenue for reparations, or should be in place of them.

MR. LLOYD GEORGE said that that could be considered. It must be remembered that if Germany were to raise a loan that loan would require a good many sources of revenue as security, such as taxes on exports, the customs duties, to which might be added the profits on the revival of European trade. When the public saw two or three different sources of revenue they would be more willing to advance money.

It was agreed that the experts should meet to examine the above questions at 3.30 p.m. that afternoon at the Treasury.

It was also agreed that the Chancellor of the Exchequer and Sir L.

Worthington-Evans on the one hand, and M. Loucheur on the other, should meet Dr. Rathenau at 4.30 p.m.

Some discussion took place whether this meeting should be held at a private house or at 10, Downing Street.

It was agreed that a meeting at a private house would have only a semiofficial character and was therefore more suitable to the occasion.

It was agreed that no Press statement of any kind should be issued.

The Conference adjourned until 11 a.m. on Wednesday December 21st.

2, Whitehall Gardens, S.W. 20th December, 1921.

No. 108

I.C.P. 211] British Secretary's Notes of a Meeting between Mr. Lloyd George and M. Briand, held at 10 Downing Street, S.W., on Wednesday, December 21, 1921, at 12 noon

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister (in the Chair); The Rt. Hon. A. Chamberlain, M.P., Lord Privy Seal; The Rt. Hon. Sir Robert Horne, G.B.E., K.C., M.P., Chancellor of the Exchequer; The Rt. Hon. Sir L. Worthington-Evans, Bart., M.P., Secretary of State for War; Sir Edward Grigg, K.C.V.O., C.M.G.; SECRETARIES, Mr. Thomas Jones, Mr. R. B. Howorth, Mr. Pembroke Wicks.

France: M. Briand, President of the Council; M. Loucheur; M. Berthelot, Secretary-General of the Foreign Office.

INTERPRETER: M. Mantoux.

1. Forthcoming Meeting of the Supreme Council

Mr. Lloyd George informed M. Briand that last night he had received a communication from the Italian Ambassador to the effect that the Italian Prime Minister was most anxious about the conversations which were now taking place in London between the Heads of the British and French Governments, that he feared that some decision might be reached prejudicial to the interests of Italy and that in his view no decisions should be taken save at a meeting of the Supreme Council. He (Senor Bononi

This communication to the Prime Minister has not been traced in Foreign Office archives, but a minute, dated Dec. 21, by Sir E. Crowe, Permanent Under-Secretary of State for Foreign Affairs, reads: 'The Italian Ambassador enquired of me today what was the state of the discussions going on at No. 10 Downing Street with the French Prime Minister on the subject of German reparations . . . I had to confess that I was myself in ignorance . . . M. de Martino, however, insisted that his Government was entitled to know. He was well aware that the reparations question was not treated by the Foreign Office, and he felt therefore entitled to obtain the information direct from the Prime Minister's secretaries, to whom he intended to apply. I felt that I could not, in the circumstances, raise an objection to the ambassador's applying elsewhere than at the Foreign Office, seeing that we were not informed.'

[Signor Bonomi]) would, if necessary, be prepared to come to London at once and the state of public opinion in Italy was such as to make it eminently desirable that a meeting of the Supreme Council should be held on the earliest possible date. He (Mr. Lloyd George) had reassured the Italian Ambassador telling him that the conversations now taking place were of a purely informal character, that there was no intention of taking any final decisions and that he entirely agreed with the Italian point of view as to the necessity for an immediate meeting of the Supreme Council. The Italian Ambassador had accepted these explanations and had gone on to indicate the Italian point of view, which, in effect, was that it was useless to continue the discussions and recriminations on the subject of German reparations and that it was very desirable that the Allies should proceed to a review of the economic restoration and general appearement of Europe, a matter in which Italy was vitally interested. Italy sincerely trusted that the Supreme Council would take this aspect of the question under consideration and the Italian Ambassador had quoted the terms of the Resolution moved by Senor [sic] Nitti at a meeting of the Supreme Council in London a year ago.² He (Mr. Lloyd George) had informed the Italian Ambassador that conversations on this very point were at the moment proceeding between Sir Robert Horne, M. Loucheur, Sir Laming Worthington-Evans, and Herr Rathenau and it was quite understood that the Italian Government would be anxious to safeguard the position of Italy as regards any proposals which might emerge from these discussions. In his (Mr. Lloyd George's) view it was imperative that a meeting of the Supreme Council should be arranged for the earliest possible date.

M. Briand said that he was in entire agreement with the views expressed by Mr. Lloyd George. No final decision could be taken at the present meeting and it was necessary that the Supreme Council should meet at the earliest possible date. He had had a short conversation with Lord Curzon on the Near Eastern question which was one of the utmost gravity, and he was of opinion that at the present moment a good opportunity presented itself for the Allies to approach Greece and Turkey with a view to securing some settlement. Lord Curzon was coming to Paris on the 8th or 9th of January to meet the French and Italian Foreign Ministers and he (M. Briand) suggested that a meeting of the Supreme Council should be held immediately after the meeting of the Allied Foreign Ministers.

MR. LLOYD GEORGE said that the only date that would suit him would be Tuesday and [? or] Wednesday of next week. It was essential that Signor Bonomi should be present at the meeting.

M. BRIAND said that next week would be very difficult for the French Government as the Budget discussion was going on and would not end until the 1st January. Would it not be possible for a meeting of the Supreme Council to be held at either Cannes or Nice early in January?

² Presumably a reference to Signor Nitti's statement on Feb. 27, 1920, at the First Conference of London; see Vol. VII, No. 33, pp. 276-7.

MR. LLOYD GEORGE said that this proposal would suit him excellently. It was agreed:—

That a meeting of the Supreme Council should take place at Cannes on 4th January, 1922 to discuss the general economic situation in Europe.³

2. The European Economic Situation

SIR ROBERT HORNE informed the meeting that yesterday afternoon a secret meeting had taken place between M. Loucheur, Herr Rathenau, Sir Laming Worthington-Evans, and himself, at which there had been discussed the question of the co-operation of the European Powers in the economic reconstruction of Europe. The meeting had recognised in the first place that it was highly improbable that the United States would participate in any such arrangement, at all events in the first instance. Undoubtedly, much better results would be secured if the United States could be persuaded to co-operate. The meeting was unanimously of opinion that any action taken should be by private organisations, and not by Government organisations. At the same time, the Governments could no doubt assist and advise in various directions, without exercising any actual control.

The organisation contemplated by the meeting would comprise a central syndicate, on which all European countries would be represented by industrialists of high standing. The members of the syndicate should be industrialists, rather than financiers, inasmuch as this would give a better chance of carrying out the work of reconstruction in a rapid and businesslike manner. It was not thought that there would be any difficulty in securing representatives to serve on the Central Syndicate. The capital of the syndicate would be f to millions in the first instance, but it was clear that if any large reconstruction works were to be undertaken, a very much larger sum would ultimately be required. The organisation would also comprise syndicates for particular ventures. For example, business to be undertaken in Roumania would be entrusted to a special Roumanian syndicate, on which would be placed persons intimately concerned with the trade problems of that country. The Central Syndicate would be represented on those local syndicates. Each local syndicate would be required to raise its own capital, and the Central Syndicat[e] would no doubt assist local syndicates by according them financial facilities.

Sir Robert Horne continued that the meeting had then considered the probable attitude of France to a proposal which, in effect, meant sooner or later the recognition, de jure as well as de facto, of the Russian Soviet Government. Herr Rathenau, who had considerable experience of Russia, had definitely stated that no other Government was at present possible in Russia, and that if the Soviet Government were to fall, Russia would collapse into a state of complete chaos. In his view, therefore, the best course would be for the Allies to acquiesce in the situation, and enter into relations with the Soviet Government, particularly as that Government was rapidly shedding

The first meeting of this Allied Conference was on Jan. 6, 1922. 4 Cf. No. 107, pp. 779-4.

most of its extreme communistic views. M. Loucheur had stated that from the French point of view it was of supreme importance that the organisation to be set up, should be called an organisation for the reconstruction of Europe generally, and that as little reference should be made to particular countries as possible. French public opinion might be reconciled to some form of relationship with countries like Russia, if it could be assured that this was the only, or possibly the best means of restoring France. M. Loucheur had also made a very valuable suggestion that the organisation should endeavour to develop those old concerns in Russia and elsewhere in which investors in Western Europe had been interested before the war.

Herr Rathenau had said that the railway situation in Russia was most serious, and that the railways needed restoration more perhaps than any other form of industry. The meeting had discussed the possibility of putting the railway systems in Russia on an efficient basis, and it was agreed that until the transport difficulties had been surmounted, it was quite impossible for any substantial revival of trade to take place. The organisation which would control the transport systems must also have control of the raw materials carried by those systems, as it was clear that for many years to come, Russian trade would in the main have to be conducted on a barter basis.

The meeting had then discussed the question upon which emphasise [sic] had been laid by Mr. Lloyd George, namely, the share of the German portion of the profits of the syndicate, which might be earmarked for reparation payments. Herr Rathenau, while not objecting in principle to the suggestion which had been made, was very doubtful whether any portion of the German profit should be earmarked in this way. He had urged that the amount of such profit would, in any case, be very small for a number of years to come, and had been told in reply that this was largely a psychological question, and that the acquiescence of France in the scheme would largely depend on her receiving some reparation benefits out of it. Herr Rathenau had then urged that as the syndicates would be financed entirely by private capital, the fact of taking a portion of the profit, and using it for reparation, would mean that the dividends of private individuals were to be reduced in order that the German Government might pay its debts.

Mr. Lloyd George, intervening, pointed out that the German Government would, of course, have to refund to its Nationals any money taken from them for reparation purposes.

SIR ROBERT HORNE said that this had been pointed out to Herr Rath[e]-nau, who had replied that the German Government could only refund to its Nationals by printing more paper.

MR. LLOYD GEORGE thought that this objection would not arise if, as was to be assumed, the German Government had made the German budget balance. The point was that the German Government would pay its Nationals in German marks, and that the Allies would receive gold.

SIR ROBERT HORNE, resuming, said that the discussion had ended by Herr Rathenau agreeing to consider what kind of a scheme he could submit for

the participation of Germany in the arrangement for the reconstruction of Europe, and for the earmarking of some part of the profits derived from Germany under the scheme, towards reparation payments. The account he (Sir Robert Horne) had given indicated the main course of the discussion. All present at the meeting had agreed that the scheme based on the syndicate system was the best plan for European reconstruction, provided that it was possible to secure the best type of industrialist, and provided also that the necessary capital could be raised. He himself was not at all confident that it would be found easy to raise the capital which would be required, but M. Loucheur and Herr Rathenau were more confident on this point.

MR. LLOYD GEORGE thought that the necessary capital could be raised from those firms which had been engaged in the past on work of this character. He gave instances of British firms which were in the habit of financing their own undertakings.

SIR ROBERT HORNE pointed out, however, that many of these firms were suffering financially at the present moment.

MR. LLOYD GEORGE observed that the scheme could only be proceeded with on the basis that a thorough understanding was entered into with the Russian Soviet Government.

M. Briand said that so far as the Russian problem was concerned, it must be realised that the position was not an easy one. The attitude of the French Government on the subject was well known, and had been voiced in the French Chamber on several occasions. While it was not impossible that that attitude might undergo some change, it was clear that French public opinion would need some little time to accustom itself to the new situation. If France could see clearly other advantages, she would no doubt in the end acquiesce in a new state of things. It was, however, in his view not necessary to consider the recognition of the Soviet Government at the present stage. He urged that the scheme for the reconstruction of Europe should be devised without any mention of Russia. There was now no real substantial difficulty, and the only question was as to the precise method by which the problem should be approached.

Mr. Lloyd George pointed out that M. Millerand had stated⁵ that France was prepared to enter into relations with the Russian Government, if that Government would recognise the French debts. The more powerful element in the Russian Government at the moment was now ready for some recognition of this character, and in his view it would be open to the French Government to go to the holders of Russian bondholders [sic], and point out the great advantages from their point of view of obtaining a written recognition from the Soviet Government of the validity of their bonds. No doubt such an assurance did not mean that the interest on the bonds would be immediately payable. All the European countries were alike in trying to put off paying interest on their foreign debt. But such recognition would

⁵ Note in original: 'See I.C.P. 109 1, page 9.' This document, which recorded a conversation between Mr. Lloyd George and M. Millerand (at that time French President of the Council) at Lympne on June 20, 1920, is printed in Vol. VIII, No. 29.

undoubtedly add to the value of the bonds, and give them possibly substantial value in a few years' time. M. Millerand had always taken this point of view and he, Mr. Lloyd George, thought that the French Government would be well advised to make the attitude of France towards the Soviet Government depend on that Government's recognition of the validity of the Russian bonds.

M. Briand said that while he appreciated the point of view of the British Government it would help considerably if the Soviet Government made some gesture that it would behave in future as a Government should behave. No doubt the opinion had prevailed on all sides that the Soviet were merely filling a gap and that they were not a Government in the proper sense of the term. They ought to alter their methods in order to convince people abroad that the situation had changed. That would immediately create a revolution in public opinion in France. Even now a great many of the French public and in the French Parliament were beginning to feel that something would have to be done, that Russia could not be allowed to remain any longer in her present state. It was true the Soviet had a firm hold in Moscow and Petrograd and in other towns, but these were separated by vast territories in which the control was vested in small local Governments, which were very loosely linked to the centre, and the stability of which was very doubtful. Assuming an attempt were made to restore Russia, what would happen if local risings began and local anarchy resulted? Nevertheless they must take the risk, but the possibility of danger could not be excluded.

MR. LLOYD GEORGE replied that local risings of peasants would not be directed against any allied organisation entrusted with the duty of supplying commodities such as grain, boots and clothing of which the peasants were sorely in need. They might fight among themselves but they would not attack an Allied organisation. So much had been heard of the fragility of the Soviet Government, but somehow they seemed to be able to take care of themselves. The British Government had believed in its fragility at the time they had assisted Denekin's [sic] expedition,6 but the Soviets had been strong enough to drive him out of the country. The Poles had thought that they were dealing with weaklings, but the Soviets had proved vigorous opponents. Personally he would not like to get too near to the toe of the Bolshevist boot. They were still a very long way off the last functioning of this people, who, in addition to Moscow and Petrograd, had the machinery of Government, the police and the army at their disposal. The country could not be compared to France or England. The Russians were not free people; they were and always had been Slavs in nature as well as in name. They were accustomed to be ruled by tyrants; they always had been. For example, Peter the Great and Catherine had ruled them successfully.7 Their old system of Government was not of a high moral order, and Lenin and Trotsky8 were worthy successors to it. Russia was accustomed to it.

⁶ For the activities of Gen. Denikin, commander-in-chief of the White Russian forces in South Russia, see Vol. III, Chap. II and Vol. XII, Chaps. IV and V.

⁷ Rulers of Russia, 1682-1725 and 1762-96, respectively.

⁸ See No. 92, n. 12.

He would not like to postpone an attempt to deal with the situation until Lenin died. Those who waited for dead men's shoes were apt to find themselves down at heel. He trusted that they were not going to build on that hope. He had seen many of the counter-revolutionaries: they invariably said that Bolshevism was on the verge of collapse, but none of them were men of action upon whom any reliance could be placed. On the other hand, on the previous Sunday he had seen Savinkoff, the only one of any strength. The rest were sheep. Savinkoff had blown up half a dozen Governments and killed a Prime Minister. He was a man of action and great determination, which was plain from his personal appearance. In his view it might take six months, a year, or possibly three years for the Bolshevist Government to collapse, but Europe could not go on starving for three years. He had been very surprised to hear that it was M. Savinkoff's opinion that the Allies should talk to Lenin and Trotsky. M. Savinkoff had been brought to him by Mr. Churchill¹⁰ whose anti-Bolshevist opinions were well known. M. Savinkoff had suggested that they should talk to Lenin and Trotsky because he believed that the latter were now anti-revolutionary and were fighting their own extremist wing. He thought that it would be possible to use them to put an end to the Bolshevists. M. Savinkoff had suggested a great meeting at Prague to arrive at a settlement which would provide for the safe-guarding of Russian debts and the protection of the interests of the peasants. If Lenin and Trotsky knew that they had Western Europe behind them, they would defy the extremists.

Some reference had been made to a body of Russian extremists known as the Chika [sic].¹¹ Lenin was afraid of it, but if he knew he had the Allies' support he would call in mild revolutionaries like Savinkoff and suppress it. In a sense Savinkoff now represented the more Conservative element in Russia. He was very determined, and was the only anti-Bolshevist he had met who was worth anything. He would achieve his end by breaking up the Bolshevist party. If they could be divided in this way it might be possible to turn them into a respectable political party of somewhat advanced views.

MR. CHAMBERLAIN interposed to point out that M. Briand should understand that Mr. Lloyd George in presenting this case was merely repeating the statements made by M. Savinkoff.

M. Briand said that the general plans which had already been put forward in the discussions with Sir Robert Horne would of course involve relations of some kind with Russia. Moreover the French Government, in deciding to help in the work of Russian famine relief on the basis laid down by the Supreme Council in Paris, 12 had had to enter into certain relations with the

⁹ See No. 95, n. 13.

¹⁰ Mr. Churchill had been Secretary of State for the Colonies since Feb. 14, 1921.

The 'Vecheka', commonly known as the 'Cheka', was a pan-Russian Special Commission set up in Dec. 1917 by the Soviet Russian Government 'for the fight against counterrevolution, sabotage and speculation'. See N. de Basily, Russia under Soviet Rule (London, 1938), p. 163.

¹² See No. 103, minute 4.

Russian Government. No doubt French public opinion was moving in that direction, but he must act with precaution. He enquired whether the Government of the United States would be invited to the next meeting of the Supreme Council.

MR. LLOYD GEORGE said that he thought so. Colonel Harvey¹³ would no doubt attend without taking an active part in the proceedings. He would come to listen.

MR. Lloyd George suggested that the Committee of Experts should meet again that afternoon, and should confer with Dr. Rathenau. If he could be of any use with Dr. Rathenau he would be very glad to come. He would leave that to M. Loucheur.

M. LOUCHEUR said that he did not think it would be necessary for Mr. Lloyd George to attend.

SIR ROBERT HORNE said that he had still to clear up the reparation questions with Dr. Rathenau. The other schemes would depend upon getting the right men and the necessary capital and upon the date when they were started.

MR. LLOYD GEORGE pointed out that it was also necessary first of all to bring Italy and Belgium into the scheme.

SIR L. WORTHINGTON-EVANS said that it would be necessary to start conversations in the various capitals with the Industrialists. That should be done before the Cannes meeting.

MR. LLOYD GEORGE observed that they must know before Cannes what the Industrialists would be willing to do. He did not think that Italy and Belgium would be able to do much.

M. Briand pointed out that there were in Belgium business men who knew Russia well.

MR. LLOYD GEORGE added that he had also been told that the Italians had done a great deal of engineering work in Russia.

M. Briand stated that it was necessary for him to return to France on the evening of the following day in order to be in the French Chamber the day after to meet an interpellation on foreign affairs.

MR. LLOYD GEORGE asked that something might be prepared in writing to give the Conference some idea of the precise outline of the scheme. It was not possible to come to any decision at this informal Conference, but it would be desirable to have something in writing upon which to focus attention.

SIR L. WORTHINGTON-EVANS added that it would be very useful to have some identical formula with which to approach the Industrialists in the various countries.

M. Loucheur agreed.

It was agreed that no reference should be made in the Press to the forthcoming meeting of the Supreme Council, but that the announcement should be reserved until the end of the Conference.

It was agreed that the Experts should meet at 5 o'clock at the same place

13 U.S. Ambassador in London.

as on the preceding day, and that the Conference should be resumed at 10, Downing Street, at 6.30.

The Conference then adjourned.

2, Whitehall Gardens, S.W., 21st December, 1921.

No. 109

1.C.P. 212] British Secretary's Notes of a Meeting between Mr. Lloyd George and M. Briand, held at 10 Downing Street, S.W., on Wednesday, December 21, 1921, at 6.30 p.m.

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister (in the Chair); The Rt. Hon. A. Chamberlain, M.P., Lord Privy Seal; The Rt. Hon. Sir Robert Horne, G.B.E., K.C., M.P., Chancellor of the Exchequer; The Rt. Hon. Sir L. Worthington-Evans, Bart., M.P., Secretary of State for War; Sir Edward Grigg, K.C.V.O., C.M.G.; SECRETARIES, Mr. Thomas Jones, Mr. Pembroke Wicks.

France: M. Briand, President of the Council; M. Loucheur; M. Berthelot, Secretary-General of the Foreign Office.

INTERPRETER: M. Mantoux.

SIR ROBERT HORNE resuming the discussion which had been adjourned from the morning meeting said that there was very little more to discuss about the general plan for the reconstruction of European trade, except in regard to the association of some method of reparation with the plan. He had discussed the matter with Dr. Rathenau and they had agreed upon a method by which the question could be treated in a practical way. The German Government would take a share in the Central Syndicate, that is to say the German interests in the Central Syndicate would be shared between the German Government and German Commercial undertakings in a fixed proportion, say 50 per cent. to each. The whole of the dividends accruing to the German Government would be allocated to reparation. He thought that that met the point as to reparations which had been very naturally raised by the French Government. Apart from this he did not think that there was anything to add to the general scheme. An official of the British Treasury was in process of drawing up a document which would be ready for examination at the morning meeting. This could be put before the meeting of the Supreme Council at Cannes. As the whole scheme was subject to the consent of the Allied Governments it was very important that no public indication of it should be given. The Allied Governments would naturally resent it if any information were given to the public before they had been consulted.

MR. LLOYD GEORGE asked whether anything had been said about the proportions to be taken in the scheme by the different nationalities.

¹ See No. 108, minute 2.

SIR ROBERT HORNE replied that a small Angl[o]-French Committee would be formed which would decide the proportions.

SIR L. WORTHINGTON-EVANS suggested that Belgium and Italy should have say 5 per cent. each.

SIR ROBERT HORNE continued that he had only been able to describe the scheme roughly to Dr. Rathenau and had added that it was no good discussing the matter so far as it concerned Russia unless there were a general recognition of the claims of people who had put money into Russia.

MR. LLOYD GEORGE said that pending the discussion at Cannes, the British Government would consult their industrialists and the French would do the same with theirs. In the meantime he would ask M. Briand to look up the *Procès Verbal* of the conversation with M. Millerand on June 20th, 1920 (I.C.P. 109 1).² He, Mr. Lloyd George, had then said that he regarded the Soviet Government in the same light as Mustapha Kemal³ and would only enter into a discussion with them on certain conditions, which were equally applicable to Mustapha Kemal.

M. Millerand had agreed, but M. Briand had now entered into a Treaty with Mustapha Kemal* who was vis-à-vis the Allies in exactly the same position as the Soviet Government. There was, therefore, nothing dishonourable in negotiating with the Soviet Government, the only difference between them was that Mustapha Kemal had killed far more men than Lenin and Trotsky. Mustapha Kemal's Government had killed in thousands where Lenin and Trotsky had killed in hundreds. They were dealing with assassins in both cases. The statement by M. Millerand on June 20th to which he had referred was as follows:—

'M. Millerand... the French Government was ready to take up relations with the Soviet Government on the day that the latter proclaimed solemnly that they accepted responsibility and solidarity for engagements of every description taken by their predecessors with foreign Governments. That, in his view, was the sine qua non of French recognition of the Soviet Government.

'Mr. Lloyd George said that this was an essential part of the terms of peace, but that stage had hardly been reached yet. Was this a condition of trading, he asked?

'M. Millerand replied in the negative. It was a condition of recognition and relations. . . .

'M. Millerand... The reason he insisted on this question was that the answer involved the paramount condition for any Government to be recognised, that is to say, that it should undertake the responsibilities of its predecessors towards foreign Governments. That was why he put this

- ² Cf. No. 108, n. 5.
- 3 Leader of the Turkish Nationalists.
- 4 An Agreement relating to Cilicia had been signed at Angora on Oct. 20, 1921, by M. Franklin-Bouillon (see No. 88, n. 24) and Youssouf Kemal Bey, Minister for Foreign Affairs in the Nationalist Turkish Government; for the text, see B.F.S.P., vol. 114, pp. 771-3.

question. If the Soviets refused, did that prevent the Allies from having commercial relations with Krassin? Not at all. . . . If Krassin insists that he cannot trade unless the Soviet Government is recognised, then he would repeat his former question, namely, as to whether the Soviet Government accepted the responsibilities of their predecessors towards foreign Governments. If Krassin accepted, then he would recognise them. If he did not then it would be impossible to trade with the Soviets.'

The point he desired to make was that M. Millerand had agreed that even if the Russian Soviet would not recognise their predecessors' liabilities towards Foreign Governments, still he, M. Millerand would be willing to trade and that if Russia did accept such responsibilities then he would recognise the Soviet.

That was the position of the French Government in 1920.

M. Briand said that the position of the French Government towards the Soviet had entirely changed. At a certain moment it was a serious question whether any action they might take would not expose France to dangerous contagion from Bolshevism, a contingency which had now been considerably diminished and indeed had been reduced to a minimum. Consequently, the objections had disappeared, and he was prepared to agree with the policy which Mr. Lloyd George recommended. He himself had seized the occasion of the Russian famine to set up an official organisation for maintaining contact with the Soviet Government. There had been a change in public opinion in France and it only remained to find a suitable way which should be blocked by as few obstacles as possible. He agreed that a Company should be established having in view as broad a scheme as possible, covering Europe generally and proceeding by a natural process to Russia, thus leading them into the arms of Lenin as the obvious corollary. Provided this was not pointed out to the public in advance the public would accept the fact when it happened, particularly if Lenin and Trotsky recognised all their obligations and made a gesture of restoring private property. There was no real obstacle, it was simply a question of how the thing should be done. They must not be too sanguine but it was high time to move in that direction. He would do everything to facilitate the work but Lenin and Trotsky must help by making some manifestation which no doubt would mark them out as renegades from the Bolshevik cause. After that it would be easy. So soon as it was clear to the French bondholders that they might expect to get their money out of the revolutionaires [sic] they would themselves become advocates of the revolution.

MR. LLOYD GEORGE agreed that there would be an immediate Stock Exchange reaction if Russia recognised her obligations.

MR Lloyd George continuing enquired whether any document was being prepared on the subject of reparations.

SIR ROBERT HORNE stated that a document would be submitted in the morning.

M. BRIAND said that he must leave London by 2 p.m. the following day.

SIR ROBERT HORNE said that the document could not be ready until II p.m.⁵

M. LOUCHEUR suggested that the document need only be accepted in general outline, details could be left for Cannes.

MR. LLOYD GEORGE said that that point could be reserved for the morning meeting.

- M. Briand said that the Press must be told that there would be a meeting of the Supreme Council: he had already told the journalists that the present discussions were merely preliminary conversations involving no decisions, and that they must necessarily involve an early meeting of the Supreme Council.
- M. LOUCHEUR said that the journalists who had seen him this afternoon had told him that there would be a meeting in Cannes in January.

It was agreed:-

That the only statement to be made to the Press should be that there would be a Meeting of the Supreme Council in the first week in January.

(The Conference adjourned till 11 a.m. the following day).

2, Whitehall Gardens, S.W. 1 21st December, 1921.

5 See No. 111, minute 1.

No. 110

I.C.P. 211A] Notes of a Conversation between Mr. Lloyd George and M. Briand at 10 Downing Street, Wednesday, December 21, 1921¹

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister (in the Chair); The Rt. Hon. A. Chamberlain, M.P., Lord Privy Seal; Sir Edward Grigg, K.C.V.O., C.M.G.; [? SECRETARY,] Mr. Thomas Jones.

France: M. Briand, President of the Council; M. Loucheur; M. Berthelot, Secretary-General of the Foreign Office.

INTERPRETER: M. Mantoux.

M. Briand asked the Prime Minister whether he might give him a sketch of a proposed Alliance between France and Great Britain.

MR. LLOYD GEORGE said that he would be very glad to consider such a sketch. He had already had his attention called to the conversations which had taken place between Lord Curzon and the French Ambassador in London.² Might he ask M. Briand a few questions on that subject? Was it

² These conversations took place on Dec. 5 (see ibid., No. 32) and 14.

1. XV 785

¹ The time of this meeting is not recorded. These Notes, except for the passage between asterisks, are printed in Cmd. 2169 of 1924, No. 33.

the idea that the guarantee of the Alliance should go beyond that concluded in Paris in 1919?³

M. BRIAND said he had in mind a very broad Alliance in which the two Powers would guarantee each other's interests in all parts of the world, act closely together in all things and go to each other's assistance whenever these things were threatened.

MR. LLOYD GEORGE said that opinion in Great Britain was hardly prepared for so broad an undertaking as that. So far as the Western frontier of Germany was concerned, it would be possible to give France complete guarantee against invasion. The British people were not very much interested in what happened on the Eastern frontier of Germany; they would not be ready to be involved in quarrels which might arise regarding Poland or Danzig or Upper Silesia. On the contrary there was a general reluctance to get mixed up in those questions in any way. The British people felt that the populations in that quarter of Europe were unstable and excitable; they might start fighting at any time and the rights and wrongs of the disputes might be very hard to disentangle. He did not think, therefore, that this country would be disposed to give any guarantees which might involve them in military operations in any eventuality in that part of the world. On the other hand, he repeated, public opinion would readily give a guarantee against a German attack upon the soil of France.

M. Briand said that he conceived of an Alliance on a larger scale than Mr. Lloyd George had outlined. He quite understood that there was no passion in the hearts of the British public for giving unqualified support to countries in Eastern Europe. But from the French point of view the first result of a firm understanding would be to reduce the military burden[?s] on France and make them more proportionate to her power to carry them. This was the earnest wish of at least three-fourths of the population of France and their belief was that it could only be done by means of a close compact between France and Great Britain. It was not impossible to imagine other nations coming into the compact including Germany herself. He thought that there was much to be said for some arrangement similar to the Quadruple Pacific Treaty just concluded in Washington.4 That would not bind the Powers to very strict military obligations but would provide for their taking counsel together in a crisis in the event of threats to their interests and the 'status quo'. Such an arrangement might include three or four Powers but the nucleus of it should be a complete Alliance between Great Britain and France, around which other Nations would gather. He repeated with emphasis that Germany should be a party to the Pact.

Mr. Lloyd George said that English public opinion was hardly prepared

³ i.e. the inoperative Treaty of Assistance to France in the event of unprovoked aggression by Germany, signed at Versailles by Great Britain and France on June 28, 1919; for the text, see B.F.S.P., vol. 112, pp. 213-15.

⁴ i.e. the Treaty relating to their insular possessions and insular dominions in the Pacific Ocean, signed at Washington by Great Britain, France, Japan and the United States on Dec. 13, 1921; for the text, see B.F.S.P., vol. 116, pp. 627-30. See also Vol. XIV, Chap. VI.

at the present moment to contemplate such an extensive alliance, but there would be a majority in Parliament and in the country for a plain guarantee to France against invasion, although in point of fact the guarantee would be opposed by a stronger minority to-day than two years ago. But Monsieur Briand contemplated something which went beyond the two countries. If we could draw in Germany, so much the better. He would like to consult his colleagues on M. Briand's suggestion and resume the conversation when they met at Cannes.

M. Briand said he would like to put down his ideas in writing for Mr. Lloyd George's consideration. His main object was to build up around a combination of Great Britain and France a general organisation to keep peace in Europe. If other nations felt that France and Great Britain were firmly united to maintain peace and order, peace will not be threatened soon again, and Germany would find it to her advantage to join them. That very fact would block the way to the reactionary forces in Germany by making unassailable the order of things which they wished to challenge. Some such understanding between Great Britain and France would prevent the Germans from formulating designs against the peoples on their frontiers. With such a guarantee, the Germans would probably give up militarist designs, for example, on Poland and Russia. It would help German democracy to provide facilities for the return of Germany to the community of nations and generally tend to stabilise Europe for a long period. Perhaps he might come to Cannes for a day or two before the meeting of the Supreme Council to talk over the project with Mr. Lloyd George.

MR. LLOYD GEORGE said that would be a very good idea.*5 He had always foreseen that the danger of the future was an understanding between Russia and Germany. Russia was not always going to be anarchist, but would develop into a powerful State, and possibly into a very hostile State. By our treatment of Russia both France and Great Britain had done their best to make Russia hostile and drive her and Germany into each other's arms. If we persevered on these lines, when Russia recovered, Germany would do exactly what France did 20 years ago. She would seek a Russian alliance and thus secure a new diplomatic position. We should then be confronted with most powerful military possibilities and with a vigour which comes after a revolutionary period. We should find 120,000,000 Russians combining with 60,000,000 of the most intelligent and best trained population in Europe—a combination much more formidable than that of Germany and Austria. He thought, therefore, that there was much to be said for striving to bring these Powers into friendly accord instead of planning each other's destruction in the future.* He would be very happy to see M. Briand in Cannes for a day or two before the meeting of the Supreme Council.

- 2, Whitehall Gardens, S.W. 1. 22nd December, 1921.
- ⁵ Mr. Lloyd George's remarks in the succeeding passage between asterisks are not recorded in the text in Cmd. 2169 (see n. 1).

No. 111

I.C.P. 213] British Secretary's Notes of a Meeting between Mr. Lloyd George and M. Briand, held at 10 Downing Street, S.W., on Thursday, December 22, 1921, at 11 a.m.

PRESENT: British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister (in the Chair); The Rt. Hon. A. Chamberlain, M.P., Lord Privy Seal; The Rt. Hon. Sir Robert Horne, G.B.E., K.C., M.P., Chancellor of the Exchequer; The Rt. Hon. Sir L. Worthington-Evans, Bart., M.P., Secretary of State for War; Sir Edward Grigg, K.C.V.O., C.M.G.; Sir B. P. Blackett, K.C.B., Controller of Finance, Treasury; Mr. R. G. Hawtrey, Treasury; SECRETARIES, Mr. Thomas Jones, Mr. R. B. Howorth.

France: M. Briand, President of the Council; M. Loucheur; M. Berthelot, Secretary-General of the Foreign Office.

INTERPRETER: M. Mantoux.

[1.] Economic Restoration of Europe

SIR ROBERT HORNE submitted to the Meeting copies of [a] Memorandum prepared by the Treasury entitled 'Proposals for re-establishing better economic conditions in Europe'. (For the terms of this Memorandum as submitted to the Meeting, see Appendix 1.)

After M. Mantoux had translated the Memorandum, M. Loucheur suggested that the word 'assist' in line 17 [12] of paragraph 1, should be altered to the word 'co-operate'; and that the word 'invaluable' in line 21 [15], paragraph 1, should be altered to 'important'.

These alterations were adopted by the Meeting and it was also agreed that the second sentence in paragraph 4 should read—'It would act ordinarily through affiliated Companies.'

MR. LLOYD GEORGE thought that the first paragraph of the Memorandum should be expanded so as to give a more complete statement of the nature of the conditions which had produced the present economic collapse throughout Europe. In particular more detailed reference should be made to the disorganised conditions obtaining on the various railway systems, the non-replacement of productive machinery and the absence of ordinary facilities, all of which contributed to render very difficult the task of restoring the economic position. The Memorandum had not unnaturally been written from the financial rather than the industrial point of view and more stress should be laid on the latter aspect of the situation.

M. LOUCHEUR suggested that reference should be made in the memorandum to the necessity of international solidarity in connection with the problem.

MR. LLOYD GEORGE said that as he understood the position, steps were to be taken to consult leading industrialists in Great Britain and that M. Loucheur would similarly consult leading French industrialists. He suggested that the experts should meet in Paris and prepare some detailed scheme for

submission to the Meeting of the Supreme Council at Cannes. He, Mr. Lloyd George, had just received a message from the Italian Prime Minister to the effect that he could go to Cannes on the 5th January, and he suggested, therefore, that the Meeting of the full Supreme Council should be fixed for January 6th, but he hoped that it would be possible for him, Mr. Lloyd George, to have a preliminary discussion with M. Briand on the 4th and 5th January. No doubt, if necessary, arrangements could be made for delaying the Meeting of the Allied Foreign Ministers which had provisionally been fixed to begin in Paris on the 8th or 9th January.

The Meeting agreed:—

That the experts should meet in Paris, for the purpose of drafting a Memorandum for submission to the Supreme Council, on December 30th and 31st, 1921, and that the first Meeting of the experts should take place on December 30th at 10 a.m.

M. Briand remarked that while he was in full agreement with the sentiments set out in the Memorandum, he was somewhat afraid of the impression which the document might create in advanced socialistic circles. The document might be represented as a scheme drawn up by representatives of the capitalist classes for the oppression of the proletariat.

MR. LLOYD GEORGE quite agreed that the document must be free from objections of this kind and no doubt the draftsmen would bear this in mind.

MR. CHAMBERLAIN pointed out that if discussions were to take place next week with British and French industrialists, steps must be taken to secure that the substance of the proposals did not leak out. It was very important that the Italian and Belgian Governments should have no ground for thinking that these proposals had been definitely agreed by the British and French Governments before a full discussion had taken place in the presence of all the Allies at the Supreme Council.

MR. LLOYD GEORGE said that if the Meeting agreed he would take steps to give the Italian Minister in London an outlined sketch of the proposals, but without going into any details.

M. LOUCHEUR undertook to make a similar communication to the Belgian Ministers concerned.

The Meeting agreed:-

That the Treasury Memorandum should be revised on the lines indicated in the discussion and that copies of the revised draft should be forwarded to M. Briand and M. Liucheur [sic] in Paris with as little delay as possible.

(For revised draft of Memorandum see Appendix 2.)

[2.] German Reparations

SIR ROBERT HORNE informed the Meeting that the British and French experts had practically reached agreement on the text of certain proposals for dealing with the immediate situation as regards German reparations, but

¹ Cf. No. 108, n. 3.

that it was unanimously agreed that it would be no use putting the document into final form until the assent of Belgium and Italy had been obtained. This assent would have to await the meeting of the Supreme Council but in the meantime it was desirable to set out the proposals on which the British and French experts were in general agreement, reserving certain questions for later consideration.

It was proposed that M. Loucheur should next week see M. Delacroix, M. Dubois, Sir John Bradbury² and the Italian Reparation delegate with a view to getting general assent to the proposals. If such assent was not forthcoming the questions of difference would have to be reserved for settlement at the Supreme Council Meeting at Cannes.

MR. LLOYD GEORGE said that he understood that the British and French experts were in practical agreement, and if this was so, would it not be wise to send some kind of notification to Germany of the nature of the proposals which the Allies were about to make. In any event, the time available would be very short and the conclusion of the Cannes Meeting of the Supreme Council might be delayed until very near the 15th January, which was a critical date. In this event Germany would have no time to make the necessary preparations. In his view it was desirable that some kind of unofficial communication should be made to the German Government.

SIR ROBER'T HORNE pointed out that it would be very difficult to make any such communication until after the Meeting of the Supreme Council. It was imperative that the Belgian and Italian Governments should have no ground for thinking that the British and French Governments had made an agreement behind their backs. As regards the documents which the experts had drafted, he thought that it should be made clear that the British and French Governments had only agreed to make certain proposals for discussion in the Supreme Council.

MR. LLOYD GEORGE thought that it would be most desirable that M. Briand and himself should not sign any document at the present moment.

SIR ROBERT HORNE suggested that it would be sufficient if the British and French experts were to initial those parts of the document on which agreement had been reached.

The Meeting agreed:-

To adopt Sir Robert Horne's suggestion on this point.

M. LOUCHEUR then pointed out that the whole question which had been under discussion by the experts in London was really one for the consideration of the Reparation Commission.

SIR ROBERT HORNE thought that it would be a good plan if the Belgian and Italian delegates on the Reparation Commission could be notified at once of the general lines on which the discussions had been proceeding in London. The Reparation Commission had, of course, every right to examine and comment on the proposals and indeed the Commission might take the view that in some respects the proposals were inconsistent with the Treaty

² i.e. the Belgian, French, and British delegates to the Reparation Commission.

of Versailles, as, for example, the arrangements for fixing the price of German reparation coal and some aspects of the Wiesbaden Agreement.³

[3.] Proposals of Anglo-French Experts

SIR ROBERT HORNE then gave the meeting an outline of the proposals of the British and French experts. In the first place it was proposed that instead of the sum of 200 million gold marks which the German Government had offered to pay in respect of the January and February instalments,4 that Government should be told that they must produce 500 million gold marks in four equal monthly instalments payable on 15th January, 15th February, 15th March and 15th April, 1922, and that if it was found impossible to raise this money in any other way the Reichsbank gold reserve should be taken for the purpose. Secondly it was proposed that in view of the inability of the German Government to meet its engagements and as a condition of the grant of postponement of certain payments the German Government should agree to take without delay certain measures which, it was suggested, should be set out in a Note accompanying the main document; the first of these measures all of which [w]ere to be taken within 15 days of the official notification of the arrangements to Germany, related to the collecting of the Customs Duties on an effective gold basis.

MR. LLOYD GEORGE intervening enquired how this arrangement would operate with reference to the internal value of the mark. It seemed to him to be a tremendous condition to impose. While no doubt the mark at the present time stood at 750 to the £1 sterling its purchasing value inside Germany was three times that amount.

SIR ROBERT HORNE pointed out that Herr Rathenau had not objected to this particular provision and that in any case it was essential that the Customs Duties should be placed on a gold basis if they were to provide effectively funds for reparation.

MR. LLOYD GEORGE thought that the arrangements in effect amounted to a trebling of the German Customs Duties in order to meet what might be regarded as a contingent risk. He thought that this was a matter on which the Commission of Control should have wide discretion.

M. LOUCHEUR pointed out that the Commission of Control would have in effect discretion in the matter and also that there was already a provision in the German Customs law very similar to that which was now proposed.

MR. LLOYD GEORGE remarked that this might be the case but that arrangements for imposing an excessive Customs Duty must inevitably break down with the result that no money for reparation would be derived from this particular source.

SIR ROBERT HORNE resuming said that the next condition related to the raising of the internal price of coal by x %. It was not possible to fix the

³ At Wiesbaden on Oct. 7, 1921, a Franco-German agreement had been signed relating to the price of coal delivered or to be delivered by Germany to France under Annex V to Part VIII of the Treaty of Versailles. For the text, see *Documents*... réparations, No. 26, pp. 261 and 271-7. For the Wiesbaden Agreement of Oct. 6, see No. 105, n. 8.

4 See No. 105, n. 3.

percentage at the moment. A consultation with those concerned would be necessary. He himself was in favour of some graduated scale of increase as if the German internal price of coal was raised suddenly to the world price, German industry might be brought to a stand-still. With regard to the price debited to France in the reparation accounts in respect of German reparation coal, it was proposed that the current British or French price whichever was lowest should be taken and this was perhaps the best method of arriving at the world price. He thought that ultimately some such arrangement should be applied in Germany.

MR. LLOYD GEORGE pointed out that the removal of the subsidies in Germany would undoubtedly have the effect of raising the price of coal not, possibly, up to the world price, but still substantially.

SIR ROBERT HORNE resuming said that the next condition related to the raising of railway, postal, telegraph and telephone rates by x %. Here again it was not possible to fix the percentage increase at the moment. The next condition provided that as from the 1st January, 1922, and pending the appointment of a technical adviser, the net addition to the advances by the Reichsbank to the German Government during any single month should not exceed the net amount of such advances during the month of December, 1921. Further, the net additions to the issues of uncovered notes of any kind during any month should similarly be limited to an amount not exceeding the net additions to the issues during the month of December, 1921.

The next condition required the German Government to prepare and submit to the Reparation Commission within 6 months [? weeks]⁵ of the notification of the document a considered programme for the grant of automony to the Reichsbank and the nomination of a technical adviser to be agreed upon between the Reichsbank and the Reparation Commission, charged with the duty of supervising the financial policy of the Reichsbank and in particular with discretion to refuse consent to any advances direct or indirect by the Reichsbank to the German Government.

MR. LLOYD GEORGE intervening remarked that this seemed to him to amount to internal interference in Germany.

MR. CHAMBERLAIN thought that the technical adviser might be nominated by the Reichsbank and approved by the Reparation Commission.

SIR ROBERT HORNE, continuing, said that the next condition required the German Government to meet any Budget deficit by means of internal loans, other than Treasury Bills. She must also arrange for the balancing of her Budget by the suppression of subsidies, the cessation of luxury expenditure, the balancing of receipts and expenditure of railway and other public services, also to take measures for the more efficient imposition and collection of taxes, to stop abuses in the matter of the export of capital, and to take steps, if possible, to secure the return of capital already exported. Measures would also have to be taken for the reform of the monetary situation of Germany, and for the more efficient and up-to-date publication of financial and commercial statistics.

5 Cf. Appendix 3, Annex, § 'B', p. 803 below.

Sir Robert Horne pointed out that these proposals were based on the idea that the actual details would be prepared and suggested by the Germans themselves.

MR. LLOYD GEORGE thought that it would be very difficult to reach any speedy and satisfactory settlement without meeting the responsible German ministers.

SIR ROBERT HORNE remarked that the German experts would have to discuss the proposals with the Reparation Commission.

MR. LLOYD GEORGE pointed out that any arrangement so come to with the Reparation Commission could not possibly have the same prestige and authority as would attach to a settlement made by the Supreme Council with the responsible German ministers.

M. LOUCHEUR remarked that if the German experts disagreed on any points with the Reparation Commission, an appeal would lie to the Supreme Council and, at any rate, the arrangements themselves would have to be confirmed by the Supreme Council.

MR. LLOYD GEORGE thought that the Supreme Council might possibly have to consider alternative proposals. In his view it was far easier and more satisfactory to deal with the responsible German Ministers, than to deal indirectly with the German Government through the experts. The present meeting between M. Briand and himself demonstrated how agreement could be reached in respect of obstacles which at first seemed insurmountable.

M. LOUCHEUR remarked that Herr Rathenau had told him that the German Government would be prepared to accept arrangements of the kind in contemplation, but that he (Herr Rathenau) was doubtful whether they would be strong enough to carry them out.

MR. LLOYD GEORGE thought that it was most undesirable that anything of the nature of an ultimatum should be sent to Germany. The meeting should remember how successful the Spa Conference had been in the end.6 It had, in fact, resulted in the disarmament of Germany, and the provision for France of supplies of coal, of which at the time she stood so much in need. The German Government had undertaken to carry out the Spa Agreement, and had in point of fact done their best to carry it out. Arrangements made with the Reparation Commission did not carry any real weight in the Reichstag. It was different with the Supreme Council, and an agreement made there in the face of the world would be honoured by the German nation, which could not possibly face the odium which would attach to a breach of faith. This was certainly the case with the Spa Conference, where the only two questions of importance were disarmament and coal, in both of which Germany had given satisfaction. M. Millerand had at Spa preferred not to discuss the question of reparations, and so it could not be said that at that Conference the Germans had failed to carry out any part of their Spa undertakings.

M. LOUCHEUR thought that it would be very undesirable from the point of view of French public opinion to hold any conference with the Germans

⁶ For the proceedings of the Spa Conference, see Vol. VIII, Chap. VIII.

at the present moment. He thought that the Reparation Commission should hear the German proposals, and if no agreement could be reached, then the questions at issue should be brought before the Supreme Council at Cannes.

MR. LLOYD GEORGE pointed out that it would be impossible for the arrangements to be submitted to the German Government until after the meeting at Cannes. He enquired whether it was the intention to notify these formidable demands to Germany before the Cannes meeting.

M. LOUCHEUR said that he wished the Reparation Commission to ask the German Government to make proposals.

MR. LLOYD GEORGE pointed out that until the Allies had themselves made proposals of a drastic character, it was most improbable that the German Government would produce any proposals of value. In any event an ultimatum to Germany must be avoided. The question was whether the proposals should be put forward to the German Government by the Supreme Council, or whether the Reparation Commission should be requested to negotiate with the German Government about them.

M. LOUCHEUR hoped that it would be possible to have discussions with the responsible German authorities before the meeting of the Supreme Council at Cannes. He would not favour putting any definite proposals to the Germans at the present stage, but he thought that they might be questioned as to the various matters to which reference had been made by Sir Robert Horne, and that if they gave satisfactory answers, then undoubtedly the work of the Cannes meeting would be greatly lightened.

MR. LLOYD GEORGE enquired whether, assuming that the German answers to the Reparation Commission were unsatisfactory, and were given by German experts and not by responsible Ministers, what then was it proposed that the Cannes meeting should do?

SIR ROBERT HORNE said that it appeared to the experts that the Supreme Council might direct the German Government to take the actions which had been agreed upon by the Council; but the experts were all agreed that it would be unwise to issue an ultimatum of this character to Germany, and in particular that it would be unreasonable for the Supreme Council on the information before it, to settle the times within which the German Government must abolish subsidies, cease printing paper money, etc. The experts had therefore agreed that the best course would be to invite the German Government to submit a programme of their own for carrying out the contemplated reforms.

MR. LLOYD GEORGE thought it was clear that however the matter might be expressed the Allies were really submitting definite proposals to the German Government for acceptance or rejection. He did not himself disagree with the justice and reasonableness of the proposals, though some of them such as those relating to the Customs and the Reichsbank might seem to involve external inteferance [sic] in purely German administration. But he did wish to know how it was proposed to approach the matter; was it intended to issue of [sic] the ultimatum to Germany or was it proposed to invite the Germans to come and discuss the situation at Cannes?

M. Briand thought that Mr. Lloyd George did not realise the state of public opinion in France. The Allies had issued an ultimatum to Germany, and after a long delay and making the greatest difficulties, Germany had bowed to the inevitable, and the German Government and the Reichstag had accepted the ultimatum. As part of the settlement the German Government had undertaken to do certain things so as to enable payments of reparation to be made under the Schedule of Payments. Germany was now threatening to default, and if the Allies were now to extend consideration to her and to give her facilities and make other concessions, she would merely be encouraged to further resistance, as she would not unnaturally assume that the more she resisted the less likely the Allies would be to insist on her carrying out her undertakings. Public opinion in France would not at the moment tolerate the suggestion that the Germans should be consulted on this particular matter, and any such proposal would if adopted make his (M. Briand's) position a most difficult one. He personally was quite willing to enter into conversations with Germany in the future; but he could not do so at the present time, as such conversations would in his view be most dangerous and it was out of the question for him to agree to invite the Germans to come to Cannes to say what they were willing to do in the way of meeting the Allied claims. It seemed to him that with the help of the German and Italian delegates on the Reparation Commission it ought to be possible to ascertain the real views of the responsible German Ministers and thus the Allies would be in a better position to know the attitude to be taken up. In conclusion, M. Briand said that, speaking purely for himself, he would be agreeable to sending a formal invitation to the German Government to attend the meeting of the Supreme Council but it was out of the question for him to get the assent of the French Parliament to any such proposition.

MR. LLOYD GEORGE said that he would like to consult his British colleagues for a few minutes.

(The meeting then adjourned for 10 minutes.)

On resuming MR. LLOYD GEORGE said that he understood that there would be conversations between the delegates on the Reparation Commission and the German experts in Paris next week, and that M. Loucheur would consult informally with M. Dubois and M. Delacroix, notifying them in general terms of the points which had been raised in London. Sir John Bradbury would be similarly consulted by the British Ministers. In these circumstances, he (Mr. Lloyd George) was quite ready to adjourn the further consideration of what the Allies should do until after the results of the discussions between the Reparation Commission and the Germans were known. He therefore proposed that the discussion of the action to be taken should stand adjourned for the present and should be resumed by the Cannes meeting. M. Briand said that he was in complete agreement with Mr. Lloyd George.

MR. LLOYD GEORGE remarked that the British Ministers were most anxious to avoid making any difficulties for M. Briand, and he no doubt

would have similar consideration for the British Ministers. In Britain there was a genuine fear of fresh ultimatums. M. LOUCHEUR suggested that possibly Sir Robert Horne would arrange to see Herr Rathenau in London. It was impossible for him (M. Loucheur) to invite Herr Rathenau to Paris, but it would be as well if a hint could be given to him to be present in Paris next week.

SIR ROBERT HORNE resuming his description of the proposals of the British and French experts said that as part of the arrangements the Allies were to agree to forego any cash payments from Germany during 1922 over and above the sum of 500 million gold marks, to which he had already referred. It had also been agreed that the Weisbaden [sic] agreement should come into force for a period of three years subject to certain conditions, one of which provided that the amount of the deliveries in kind under the Treaty and under the Agreement together should not exceed a certain figure in each of the three years. It was also proposed that the other Allies should be authorised to make agreements with Germany similar in character to the Weisbaden agreement.

Sir Robert Horne also informed the Meeting that it had been agreed to limit the costs of the Armies of Occupation, exclusive of the American Troops, to 220 million gold marks per annum to be divided in proportion to the effectives employed. In conclusion, Sir Robert Horne pointed out that the modifications of the August Agreement⁷ involved the concurrence of Belgium and it would be necessary to endeavour to try and persuade her to accept the modifications. Under the new arrangements Belgium instead of getting a priority of 2 milliards would get a priority of 1,100 millions of gold marks.

(A copy of the Agreement as initialed by the British and French experts is attached, see Appendix 3.)

[4.] Economic Situation in Europe

MR. LLOYD GEORGE remarked that the economic document to be prepared by the experts for submission to the Supreme Council should contain a recommendation respecting the calling of an Economic Conference to consider the control of the Railways, etc., in Central and Eastern Europe. M. Briand said that he entirely agreed.

[5.] Reparation Bonds

SIR ROBERT HORNE handed to M. Loucheur a copy of a Memorandum prepared by the Treasury entitled 'Scheme for realising Reparation Bonds' (see Appendix 4).

M. Briand undertook to give the scheme his careful consideration.

The proceedings then terminated.

2 Whitehall Gardens, S.W. 1. 22nd December, 1921.

⁷ The reference is to the agreement reached on Aug. 13, 1921, at the meeting of Allied Finance Ministers at Paris; see *Documents*... réparations, No. 17, pp. 164-70.

APPENDIX I TO NO. III

Proposals for Re-establishing better Economic Conditions in Europe
(As submitted to Meeting on 22nd December, 1921)

The economic breakdown of Europe is essentially a breakdown of credit. The financial machinery has been overstrained, and the former channels of credit have been interrupted, partly by the discredit of currencies, partly by the interposition of new frontiers and the severance of old lines of communication. The process of reconstituting each country by its own unaided efforts has proved at the best slow, at the worst impossible. Nothing short of whole-hearted co-operation among the nations can achieve a real remedy. This co-operation must include all those countries which have the necessary financial power and knowledge. Not only must the principal Allied Powers, France, England, Italy and Belgium, and if possible the United States of America, take a share in the task, together with other countries, such as Holland, which are established as credit countries, but it is essential that Germany should assist. Germany is, industrially, commercially and financially, a most important factor in Central and Eastern Europe. Not only do her resources and her geographical position give her great importance but she has in the past acquired knowledge and experience which are invaluable for the process of reconstruction.

The problem is to restore the credit machinery necessary for setting Central and Eastern Europe to work again. Governments cannot do this themselves, because, apart from other reasons, credit operations require knowledge of the position and character of possible borrowers, and only industrialists and financiers possess this knowledge.

It is proposed that an international financial association should be formed and registered as a co-operation [sic], and that a suitable proportion of the necessary capital (which may be estimated tentatively at £20,000,000 in the aggregate) should be subscribed from among the leading industrialists and financiers of each of the participating countries. A small Anglo-French Committee would be constituted in the first instance to make preliminary plans, to draw up a programme of participation, and to negotiate with groups in the several countries designated, with a view to their taking a part in the formation of the Central Organisation. The shares allotted to each country would be issued, in the first instance to the group formed in that country, but could be disposed of by them at least in part to the investing public. Each country's nationals would be entitled to the representations in the directorate in proportion approximately to its participation. There would be no Government guarantee and no Government control.

The primary purpose of the corporation would be the supply of capital for the economic rehabilitation of Europe. It would act not directly but through affiliated companies. For each enterprise a separate company would be formed, a part, but not the whole, of the capital of which would be provided by the Central Corporation, the remainder of the capital being subscribed, in part at any rate, from capitalists especially conversant with the local and technical conditions, who would receive a due share of control. The corporation would not be precluded from engaging incidentally in ordinary commercial banking, involving short-term credits, but its primary purpose would be to supply capital for re-equipping the distressed countries of Europe with the plant necessary for industry and transportation. Every enterprise would be undertaken on a purely business footing,

with a view to profit. Even in countries with collapsed currencies the profits of such enterprise would be received in real values, that is to say commodities or service rendered, which would ultimately be independent of currency fluctuations. Each subordinate company would depend for its success on the conditions which always go to make success in business, that is to say the judicious selection of the original opening, the skill in planning its development, and the capacity for management of the enterprise once started. The success of the parent company would depend on the success of all the subordinate companies, taken one with another.

The participation of Germany in the corporation would incidentally afford a valuable opportunity for assisting in the payment of reparations. To take advantage of it, the German Government would itself take a proportion, say one half, of the German shares, and would be entitled to the dividends upon them. It would not be necessary to make an exception to the general principle of excluding all government interference and control, because the German privately held shares could be given double voting power in place of the votes which would normally attach to the Government shares. If the corporation were a success, the German Government should obtain a valuable source of revenue in foreign currencies in return for a comparatively moderate capital payment. The profits accruing on the shares of the German Government would automatically be applied to Reparation payments.

There would be a great advantage in registering the corporation in some place apart from all the great participating centres, but nevertheless one which has a stable currency. Such a situation can be most readily found in the Channel Islands, where the complications of multiple taxation will not arise.

The shares must all be subscribed on a uniform basis of currency. Otherwise confusion will arise as to voting power and as to dividends. It is proposed that the currency selected should be sterling. This will not prevent the capital being subscribed in each centre in its own currency, but will merely require all such subscriptions to be brought to a common basis at the rate of exchange of the market. Dividends would be calculated in sterling, but arrangements could be made for the actual payment of the dividends due to the shareholders in any country in their own currency at the market rate of exchange.

APPENDIX 2 TO NO. 111

(A.J. 307.) Proposals for Re-establishing better Economic Conditions in Europe

Europe is paralyzed. Her industries are dislocated, her international trade is almost at a stand-still, her people suffer from unemployment and privation.

Systems of transport have fallen into disorder with the result that the whole current of commerce has been impeded.

Want of confidence of one nation in the other has paralyzed the efforts of individuals, and the fluctuation in the values of the national currencies has tended to restrict trade to primitive barter, and to destroy the opportunities of employment.

A resumption of international trade and a development of the resources of each country will extend the volume of productive employment and tend to relieve existing privation.

International trade will be re-established only when those engaged in trade and industry can once more feel confident that in Central and Eastern Europe eco-

nomic principles will be observed which are essential to the development and even the existence of private enterprise.

The fundamental conditions upon which alone international trade can be actively developed with the Central and Eastern European countries may be thus stated:—

The rights of private ownership in real and personal property and private enterprise must be recognised. This implies without infringement of internal sovereignty the recognition of public debts and of the obligation of compensating those whose property may have been expropriated or withheld.

There must be a legal system which sanctions and enforces trade and other contracts with impartiality.

An adequate means of exchange must be available, and, generally, there must be a [sic] financial and currency conditions which offer reasonable security for trade.

To bring back Europe to its former prosperity it is essential that these conditions should be fulfilled, otherwise trade and employment will remain impossible except to a very limited extent.

If any country refuses to fulfil these conditions, trade with that country will remain impossible except to a limited extent, and all Europe will suffer in consequence. The markets of Central and Eastern Europe are essential to the wellbeing of European industry. If those markets cannot be reconstituted, Eastern and South-Eastern Europe will lose millions of their population and reconstruction will become progressively more difficult; and the conditions which produce misery and starvation in the East will doom the industrial population of Western Europe to a long period of under-employment, during which they will compete with each other in markets incapable of taking more than a part of the goods they are anxious to produce. In such circumstances the economic rehabilitation of Europe will be impossible. Inflation will continue, the cost of living will rise, the standard of life will be depressed; and in the West of Europe as in the East, starvation and under-feeding will waste the fibre of the wage-earning and the professional classes and cause wide-spread misery until the producing power of Europe is scaled down to a consuming capacity far below the level of 1914. From such a force of events all peoples must suffer alike.

The process of reconstituting each country by its own unaided efforts has not yet proved successful. Whole-hearted co-operation among the nations of Europe and amongst all the classes of the community can alone overcome the difficulty and stimulate and assist each country to make the best use of its own energies and resources, and it is therefore proposed that the principle [sic] Allied Powers, Great Britain, France, Italy, Belgium and Japan and the United States of America if willing, should take a share in the task, together with some of the creditor countries. It is desirable that Germany should co-operate. Germany is, industrially, commercially and financially an important factor in Central and Eastern Europe. Not only do her resources and her geographical position give her great importance, but she has in the past acquired knowledge and experience which are useful for the process of reconstruction.

The problem is to restore confidence and the credit machinery necessary for setting Central and Eastern Europe to work again. Governments cannot do this themselves, because apart from other reasons, credit operations require knowledge of the position and the character of possible borrowers, and only industrialists and financiers possess this knowledge.

It is proposed that an international association should be formed and registered

as a corporation, and that a suitable proportion of the necessary capital initially fixed at £20,000,000 should be subscribed in each of the participating countries. These shares allotted to each country would be issued, in the first instance to the group formed in that country, but could be disposed of by them at least in part to the investing public. Each country's nationals would be entitled to representation in the Directorate in proportion approximately to its participation. There would be no government control. A small Anglo-French committee would be constituted in the first instance to make preliminary plans to draw up a programme of participation, and to negotiate with groups in the several countries designated, with a view to their taking a part in the formation in the central organisation.

The primary purpose of the corporation will be to undertake the organisation of transport and harbour facilities and enterprises associated therewith in such countries as complied with the conditions above stated and which desired the assistance of the corporation. Rehabilitation of the transport systems will conduce to the free flow of trade and commerce and do more than any other thing to prepare the way for re-opening of private enterprise. There is, however, much more to be done. Old industries have to be revived and new means of employment found. The corporation will, at the same time, encourage private enterprise willing to engage in particular undertakings.

Contracts for the supply of materials and for other purposes will in general be allotted to particular countries in proportion to the provision of capital for the corporation and its subsidiary undertakings.

There would be a great advantage in registering the corporation in some place which has a stable currency. It would be most convenient if registered in Great Britain if arrangements could be made for exemption or partial exemption from taxation.

These shares must all be subscribed on a newly formed [? uniform] basis of currency. It is proposed that the currency selected should be sterling.

A preliminary sum of say £10,000 in all should be provided forthwith by subscriptions from the Governments of the countries agreeing to participate for the purpose of meeting the initial expenses of enquiry and investigation which will be necessary before further progress can be made.

The omitted paragraph was the same as the second paragraph on p. 798.

Appendix 3 to No. 111

(A.J. 306.) German Reparations

Memorandum dated 22nd December, 1921 (British Text)

The British and French Governments, having taken into consideration the declaration of the German Government that it is unable to meet in full the instalments in respect of reparation falling due on January 15th and February 15th, 1922, and its request for postponement, agree to make recommendations on the following lines to the Allied Powers for dealing with the problems which arise:—

(1) That the sum of 150,000,000 to 200,000,000 gold marks which the German (intld.) J.T. B.P.B.¹⁰

9 See No. 105, n. 3.

¹⁰ In the original the 8 pages of this Appendix and its Annex were initialed at the bottom by the French and British experts, M. J. Tannery and Sir B. Blackett (see minute 2, p. 790).

Government offers to pay in respect of the January and February instalments, being insufficient, the Allied Governments should insist on a payment of 500,000,000 gold marks.

(2) That if the German Government cannot meet this payment otherwise, it should apply a portion of the Reichsbank gold reserve for the purpose.

(3) That payment of the sum of 500,000,000 gold marks should be accepted as follows:—

125,000,000 January 15th, 1922.

-do- on February 15th, 1922. -do- on March 15th, 1922. -do- on April 15th, 1922.

- (4) That in view of the inability of the German Government to meet its engagements and as a condition of the grant of postponement of certain payments, the German Government shall agree to take, without delay, the measures set out in the accompanying note.
- (5) That the Allies should agree to forego any cash payment from Germany during 1922 in excess of the sum of 500,000,000 above mentioned.
- (6) That the Allied Governments should consent to the operation for a period of three years of the Wiesbaden Agreement regarding reparation in kind payable to France, 11 subject to the following conditions:—
 - (i) the amount of deliveries under Annexes III to VI of Part VIII of the Treaty and the Agreement, together shall not exceed 1,250,000,000 gold marks in 1922, 1,500,000,000 in 1923, and 1,500,000,000 in 1924.
 - (ii) the amount standing deferred at the end of 1924 shall be liquidated by France in ten equal annual instalments beginning on the 1st May, 1926 by set off against sums due to France in each year out of reparation receipts, and unless the operation of the Agreement is continued for a longer period by agreement among the Allies, France shall, in no year subsequent to 1924 receive, whether in cash or deliveries, sums which, when added to the said instalments, would result in France receiving in that year more than her proportionate share, as determined by Inter-Allied agreements, of the total payments by Germany in that year, including the instalment due by [? to] France.
- (7) That any Allied Power entitled to reparation shall be permitted to enter into agreements similar to the Wiesbaden Agreement for delivery in kind, subject to the approval of the Reparation Commission, provided that the value of deliveries in kind to be received by any Powers other than France (including the proceeds of the British Reparation (Recovery) Act¹² and any similar Acts) shall not, during 1922, exceed 500,000,000 gold marks in the aggregate.
- (8) That Germany should be required to use her best endeavours to the satisfaction of the Reparation Commission (which in case of necessity would apply the provisions of paragraph 17 of Annex II of Part VIII of the Treaty of Versailles) without undue delay to give effect to the Wiesbaden Agreement, and to enter into agreements with other Powers for deliveries in kind of the nature of the Wiesbaden Agreement.
- (9) That during 1922 each Power shall retain for its own use the value of any deliveries in kind (including the proceeds of any levy under any Reparation (intld.) J.T. B.P.B.

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(Recovery) Act). But subject to the provisions of paragraph 6 of this document and of any Inter-Allied agreement already entered into or hereafter to be entered into, the receipts of any Allied Power in respect of reparation during 1922, together with interest thereon at 5 per cent. per annum, as from 1st January, 1923, shall be taken into account in determining the proportions of reparation receipts due to each Power in 1923 and subsequent years.

(10) That as from 1st May, 1922, the cost of the Armies of Occupation, other than that of the United States of America, and exclusive of the cost under Articles 8–12 of the Arrangement of 28th June, 1919, 13 should be fixed at monthly amounts payable to British, French and Belgian Governments in sterling, French francs and Belgian francs respectively. These amounts should be determined by taking an annual amount of 220,000,000 gold marks which should be divided in proportion to the effectives employed, a special allowance of 2 gold marks per man per day being made to cover the higher cost of the British Army; the rate of conversion being based on the mean rate of each of the currencies in question during the month of December 1921.

The distribution thus determined should be liable to modification by agreement in accordance with variations in the number of effectives supplied by the respective Governments.

The Governments in question should further agree annually upon a lump sum in paper marks to cover the costs of services and supplies furnished by Germany under Articles 8–12 of the above Arrangement.

In the event of special military action of a precautionary or coercive character being decided upon by the Allied Powers, the resulting expenses should be payable by Germany, over and above the lump sums above mentioned.

(11) The British Government will raise no further objection to the acceptance by the Reparation Commission in [? of] the agreement between France and Germany regulating the price of coal delivered to France, 14 so far as concerns deliveries up to 31st December, 1921, inclusive, provided that it is agreed that for the future all coal deliveries to France, irrespective of the method of delivery and of the internal price in Germany, shall be credited to Germany and debited to France on the basis of the cost at St. Quentin of French or British coal, whichever is the lower, less the cost of transporting the German coal to St. Quentin which is borne by France.

The price thus to be fixed would include all cost of transport borne by Germany.

- (12) The British Government for its part, subject to the concurrence of the Belgian Government, would be prepared to accept a ratification of the Treaty of the 13th August, 15 with the following modifications:—
- (a) The milliard already paid and the 500,000,000 gold marks to be paid by Germany in January to April, 1922, should be treated together.
- (b) Out of this total sum of 1,500,000,000 gold marks there should be applied a sum of 500,000,000 towards payment of the cost of the British Armies of Occupation up to 30th April, 1921 inclusive: and France should similarly receive such sum as would result in France obtaining the same proportionate payment on account of the total costs of the French Army of Occupation incurred up to the (intld.) J.T. B.P.B.

13 i.e. the Agreement with regard to the military occupation of the territories of the Rhine, signed at Versailles by representatives of the British Empire, France, Belgium, the United States, and Germany; for the text, see B.F.S.P., vol. 112, pp. 219–24.

¹⁴ See n. 3 above. ¹⁵ See n. 7 above.

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30th April 1921 inclusive as will have been received by the British Empire in respect of the same period on occupation account, the amount due in the case of France being determined on the assumption that the value of the Saar Mines is not debited to France on occupation account.

- (c) The remainder of the sum of 1,500,000,000 of gold marks will be payable to Belgium in respect of Belgian priority subject to the deduction therefrom of a sum of approximately 175,000,000 lire now deposited with the Bank of Italy.
- (d) The value of the Saar Mines will be debited to France as a reparation payment in 1922, and France shall liquidate the debit in accordance with the provisions of paragraph 9 of this document.

(intld.) J.T. B.P.B.

Annex to Appendix 3 to No. 111

Conditions

- A. Germany will within 15 days make arrangements to the satisfaction of the Reparation Commission for
 - (1) collecting existing Customs duties on an effective gold basis:
 - (2) raising the internal price of coal by x%:
 - (3) raising railway, postal, telegraph and telephone rates by x%:
 - (4) ensuring that as from the 1st January 1922 pending the appointment of the technical adviser mentioned in B (1) below, except by permission of the Reparation Commission,
 - (a) the net addition to the advances by the Reichsbank to the German Government (whether directly or in the form of discounting of Treasury Bills) during any single month shall not exceed the net amount of such advances during the month of December 1921;
 - (b) the net additions to the issues of uncovered notes of any kind during any month shall similarly be limited to an amount not exceeding the net additions to the issues during the month of December 1921.
- B. The German Government will prepare and submit to the Reparation Commission within six weeks of notification a considered programme for
 - (1) the grant of autonomy to the Reichsbank and the nomination of a technical adviser to be agreed upon between the Reichsbank and the Reparation Commission charged with the duty of supervising the financial policy of the Reichsbank and in particular with discretion to refuse consent to advances direct or indirect by the Reichsbank to the German Government;
 - (2) the issue of internal loans—other than Treasury Bills discounted by the Reichsbank—in amounts sufficient to cover any Budget deficit until such time as the Budget can be balanced by Revenue receipts;
 - (3) measures calculated to secure the balancing of the Budget; in particular the gradual suppression of subsidies, and of expenditure whether capital or otherwise on services which are not of urgent necessity; and the balancing of the receipts and expenditure of the railway, postal, telegraph and telephone services, together with all necessary fiscal measures for the assessment and collection of taxation;
 - (4) measures calculated to stop abuses in the matter of export of capital and to facilitate the return to Germany of capital already exported;

(intld.) J.T. B.P.B.

- (5) measures directed to prepare the way for a reform of the monetary circulation of Germany, including the cessation as soon as possible of additions to the uncovered note issue;
- (6) periodic publication of financial and commercial accounts and statistics in accordance with pre-war practice.
- C. This programme as submitted shall indicate the periods necessary for its continuous realisation in each part and shall so far as possible be accompanied by the text of any laws or regulations necessary to give effect to it. The Reparation Commission, within one month of the receipt of the programme from the German Government, will pronounce upon it. It will decide if the periods proposed by the German Government are such as should be accepted, and if it decides that they are not to be accepted, it shall fix different periods. It shall indicate what modification in the programme it considers necessary. If the German Government fails to submit the programme within the time specified, or fails in the execution of the programme in any particular, the Reparation Commission may declare the failure of the German Government and such declaration by the Reparation Commission shall in itself have the effect of making immediately [d]ue any payments under the Schedule of Payments which at that date are in arrear, without prejudice to the penalties which default in the terms of paragraph 17 of Annex II of Part VIII of the Treaty of Versailles may involve.
 - D. The Committee of Guarantees will have its seat in Berlin.
- E. In the event of no agreement being reached by the 31st March 1922 between the Reichsbank and the Reparation Commission as to nomination of the technical adviser mentioned in B(1): the Reparation Commission shall have power forthwith to appoint such technical adviser without further consultation with the Reichsbank.
- F. The German Government shall undertake to recognise the full power of the Committee of Guarantees to supervise the execution of the measures above indicated and to assist the Committee by all means in its power in the exercise of its functions of supervision.

(intld.) J.T. B.P.B.

APPENDIX 4 TO No. 111

Scheme for Realising Reparation Bonds

With a view to raising cash upon some of the Reparation Bonds at an early date, and to introducing them to the market so that they will be priced on the bourses of Europe and America, it is suggested that a portion, say four milliards of gold marks, or £200,000,000 of the 'A' bonds should be given a special security for their service in the form of some important German source of revenue, such as, e.g. the Customs, the Spirit Monopoly or the tobacco duty. The assigned revenue would have to be sufficient to provide 5 per cent. interest and 1 per cent. sinking fund, with some arrangement to prevent it being depreciated in case of a fall in the mark (e.g. in the case of the Customs, the existing percentage addition, which places the duties approximately on a gold basis).

A suitable block of the bonds thus secured, not exceeding one quarter,—say £50,000,000 in the first place—would then be sold to an international company, formed for the purpose of acquiring them and ultimately placing them upon the market, but strong enough to hold them till the market is ready to take them.

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The price of this first block to the company would be fixed at a percentage low enough to make it certain that the bonds would be attractive, in order to afford adequate remuneration for the business of creating a market and for the underwriting risk involved. It would be understood that the company should endeavour to market the bonds in a number of different centres, e.g. London, Paris, New York, Brussels, Rome, Amsterdam, Madrid and possibly others. The company would be given the option to take a second block of bonds at a slightly higher price within a certain interval and similarly other blocks from time to time till the 4 milliards were disposed of.

It is believed that the markets of the world would readily absorb Bonds offered under these conditions. In principle what is necessary is to secure an adequate inducement for the formation and successful working of the Company and at the same time not to exact too heavy a sacrifice from the Allies who have received the Bonds for the purpose of Reparation.

CHAPTER VIII

Meetings in Paris of Allied Financial Delegations December 29–31, 1921

No. 112

I.C.P. 215] British Secretary's Notes of a Meeting of the British and French Financial Delegations held at the Quai d'Orsay, Paris, on Friday, December 30, 1921, at 10.30 a.m.

PRESENT: British Empire: The Rt. Hon. Sir L. Worthington-Evans, Bt., M.P., Secretary of State for War; The Rt. Hon. Lord Inverforth; Sir Robert Kindersley, G.B.E.; Sir Allan Smith, K.B.E., M.P.; Mr. W. L. Hichens; Sir Edward Grigg, K.C.V.O., C.M.G.; Sir B. P. Blackett, K.C.B., Controller of Finance, Treasury; Mr. E. Allden; SECRETARY, Mr. T. St. Q. Hill.

France: M. Loucheur (in the Chair); M. Theodore Laurent, M. Gillet, M. Sergent, M. Seydoux, M. Parmentier, M. Tannery, M. Finaly, M. Avenol; SECRETARY, M. Petsche.

INTERPRETER: Mr. Felkin.

(1) French Translation of British Proposals. Para. 6 of French translation (a)

The Conference had before them a French translation of the British proposals (A.J. 307) for re-establishing better economic conditions in Europe.² This French Translation is reproduced as an appendix to these minutes.³

M. LOUCHEUR read the French text and various minor verbal amendments were made during the course of the reading.

After the document had been read M. Sergent⁴ stated with reference to para. 6 of the French translation⁵ that it must be understood that the restoration of enterprises themselves which had been destroyed or appropriated was in contemplation and not merely compensation on account of such enterprises. The English document would lead to the supposition that compensation alone was contemplated. Compensation should only be resorted to

- ¹ I.C.P. 214 is not here printed. It recorded a discussion between the British and French Financial Delegations after dinner at the Hôtel Crillon on Dec. 29. At this meeting M. Loucheur, French Minister for the Liberated Regions and Reparations, summarised the proposals put forward in the British memorandum A.J. 307 (No. 111, Appendix 2). It was then decided that these must be translated into French before any further discussion took place.

 ² See n. 1 above.
 - 3 Not printed. 4 A French company director.
- ⁵ Para. 6 read as follows: 'Les droits réels ou personnels de propriété ainsi que les droits des entreprises privées devront être reconnus. Cela implique, sans atteinte à la souveraineté nationale, la reconnaissance des dettes publiques et l'obligation d'indemniser les propriétaires dont les biens ont été expropriés ou confisqués.'

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when it was not possible to return the article in question on account of its having been used up.

SIR LAMING WORTHINGTON-EVANS said that he wished to say a word of caution at this point. He foresaw a difficulty in the case of Russia where agricultural land had not come into the possession of small peasant proprietors. He doubted if it would be possible to make it a condition that Russia should alter her present system and restore the large owner.

M. SERGENT said that the general rule of restitution should be tempered to meet individual cases but this rule should not be altered because Russia had reconstituted her land system. As regards agricultural property certain exceptions might perhaps be made from the application of the general rule.

SIR LAMING WORTHINGTON-EVANS stated that the discussion showed the difficulty of getting a formula to cover agricultural and other property. He suggested adding the words 'of restoring or compensating' at the end of paragraph 7 of the British memorandum (A.J. 307). It would not be possible in his opinion, however, so to recast the wording of the paragraph as to make it cover all individual cases. The application of the general rule to particular cases could be considered when the question arose.

The Conference agreed that paragraph 6 of the French document and paragraph 7 of the British document should be redrafted in the sense suggested by M. Sergent and Sir L. Worthington-Evans.

Para. 6 of French translation (b)

SIR ROBERT KINDERSLEY⁶ drew attention to the translation of the British word 'withheld' by the French word 'confisqués'. He did not consider that this was an adequate translation of the English. If banking operations were considered, the property in question had not been confiscated but Russian banks had not been able to meet their obligations because the Russian Government had not put them in a position to do so.

The Conference agreed that the word 'retenus' should be substituted in the French translation for the word 'confisqués'.

(2) Capital of the Association

Monsieur Loucheur referred to paragraph 3 on page 3 of the British document (A.J. 307)⁷ and following paragraphs relating to the constitution of the proposed International Association. On these paragraphs three questions arose, viz., (1) the amount of the capital of the Association, (2) the currency in which that capital is to be, (3) the proportions in which the capital is to be divided. It was proposed to create an Association with a capital of £20,000,000. Was the intention to create small syndicates in which each participating country took a share of £10,000?

SIR Laming Worthington-Evans replied that the intention was that each participating country should take a share in the total capital of £20,000,000.

6 A director of the Bank of England and partner in the banking firm of Lazard Bros. & Co. Ltd.
7 i.e. the last line on p. 799 above and first para. on p. 800.



M. LOUCHEUR suggested that the question of capital should not be discussed at the Conference but should be referred to the small technical committee.

SIR LAMING WORTHINGTON-EVANS stated that he did not wish this course to be followed. The question of capital was a very important one. No doubt the technical committee should fix the conditions and fill in the gaps of the general scheme. He suggested that a Committee should not advise on a large question such as the amount of the capital. He would propose that the question should be discussed now.

M. LOUCHEUR agreed and stated that after the amount of the capital had been discussed it would be necessary to consider the question of the currency in which the capital should be. This was a very important question for France, since if France took up say, 200,000,000 francs, and the syndicate lasted for a period of ten years, in the meantime the exchange might have returned to normal and France would lose 50% of her investment. Would it not be better to consider the creation of a small central syndicate with affiliated societies in other countries holding capital in the currency of those countries?

SIR LAMING WORTHINGTON-EVANS stated that this suggestion had not been discussed in London. He foresaw a difficulty which would arise in the application of Monsieur Loucheur's proposals. The sub-syndicates would be bound to support the central body, as otherwise the central syndicate would become ridiculous.

M. LOUCHEUR emphasised the importance of the question for France and asked Sir Robert Kindersley's opinion on it.

SIR ROBERT KINDERSLEY stated that he saw great difficulty in the sub-ordinate syndicates putting up capital in sterling, but thought that the Conference should examine the method by which the central syndicate should be the final controlling authority of the sub-syndicates which would hold their capital in national currencies. The sub-Syndicates would pay their own nationals in their own currency and in this he thought there was no great difficulty. It would be necessary to have a central control on which all nationalities would be represented. He saw no difficulty in controlling the whole organisation from a central syndicate which might hold its capital in whatever currency was decided on to-day. The capital would have to be fixed at the rate of exchange ruling to-day.

SIR LAMING WORTHINGTON-EVANS pointed out that this was where the trouble began. He suggested that the central syndicate might have to bear the loss on the exchange.

M. Finaly⁸ emphasised the necessity for a formula which would give complete control to the central syndicate.

SIR ROBERT KINDERSLEY stated that the vigour of the control by the central syndicate would depend on the syndicate's strength; i.e. the efficacy of the central body would depend on its representation on the subordinate bodies.

8 A well-known French banker and company director.

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M. LOUCHEUR emphasised the importance of this question and suggested that it should be discussed once more in the afternoon after the British and French Delegations had consulted separately. The question was particularly important for France, because the French Government has to guarantee the exchange. Public credit was involved, and loans would have to be subscribed in sterling, francs and dollars.

SIR LAMING WORTHINGTON-EVANS agreed to M. Loucheur's suggestion that there should be further consultation at the Conference. He then asked M. Loucheur whether the latter agreed to the total suggested for the capital of the central syndicate, viz., £20,000,000.

M. LOUCHEUR stated that he did agree to this sum. The discussions in London had been on the basis of a capital of £10,000,000, but he agreed that this sum might be raised to £20,000,000.

The Conference agreed that—

The British and French Delegations should consider separately the question of the currency in which the capital of the central syndicate and of the sub-syndicates should stand, and should resume discussion of the subject that afternoon.

(3) Shares of Capital

M. LOUCHEUR proposed that the capital of the central syndicate should be shared in the following proportions:—

France	20%
Great Britain	20%
United States	20%
Germany	20%
Belgium	5%
Italy	5%

He proposed to reserve 10% for other Powers to take up in amounts of 1% or 2% each. Switzerland would wish to come in, and Holland ought to come in. Czechoslovakia was a progressive State and might also wish to come in.

SIR LAMING WORTHINGTON-EVANS agreed to M. Loucheur's proposal and stated that the technical committee would be charged with the apportionment of capital.

The Conference agreed—

To accept M. Loucheur's proposal for the apportionment of capital.

(4) Participation of Germany

M. LOUCHEUR explained that discussions had been held in London with Herr Rathenau on the subject of a formula which would enable Germany to participate in the proposed scheme. An attempt had been made to find a means of justifying the participation of Germany in the eyes of the world. The justification was that 50% of the profits taken by Germany

9 For Herr Rathenau's recent visits to London, see No. 105, n. 6.

should be devoted to Reparations. This result could be effected by the German Government taking a proportion, say one-half, of the German shares and paying the dividends on these shares to the Reparation Commission. He thought that this question should not be discussed now but should be left to be settled as a political question between the Governments concerned.

SIR L. WORTHINGTON-EVANS pointed out that it would be necessary to make clear in the final document describing the British and French proposals that the Reparation Commission would benefit by the scheme. Did M. Loucheur propose to change the texts of the British and French documents, and if so, what changes did he suggest?

M. LOUCHEUR stated in reply that he proposed to delete the last sentence on page 4 of the French translation ('dans ce but . . . dividende'), ¹⁰ and also the first two paragraphs on page 5 ('ne sera pas nécessaire . . . paiement des réparations'). ¹¹ He would substitute in place of these paragraphs the following words 'A cet effet la moitié des dividend[e]s de la part allemande serait versée à la Commission des Réparations.'

(5) [Initial expenses]

M. LOUCHEUR asked if any delegate wished to make any observations on the preliminary sum of £10,000 which it was suggested should be provided forthwith by the Governments of the participating countries for the purpose of initial expenses.

No observations were made on this proposal and the Conference agreed—

To accept the suggestion that a sum of £10,000 should be provided forthwith by the participating Governments for the purposes of initial expenses.

(6) Discussion with the Belgian and Italian Representatives

Mr. Highens¹² asked whether when the Belgian and Italian Representatives entered they would be definitely informed that the capital of the Central Syndicate would be £20 millions or whether this question would be left over for discussion later?

SIR L. WORTHINGTON-EVANS suggested that the question might be left over and asked M. Loucheur to explain the position to the Belgian and Italian Representatives.

M. LOUCHEUR replied that he proposed to make a general explanation and without definitely stating that the capital of the Central Syndicate would be

¹⁰ This sentence read: 'Dans ce but le Gouvernement Allemand lui-même prendra une partie (la moitié par exemple) de la participation Allemande et aura droit en conséquence au dividende.'

¹¹ These paragraphs read: 'Ne sera pas nécessaire pour cela de déroger à la règle générale d'après laquelle il n'y aura ni intervention ni contrôle gouvernemental; les particuliers allemands porteurs de titres disposeront d'un double pouvoir de vote comprenant celui qui notamment aurait été attaché aux titres possédés par le gouvernement. Si la société réussit, le gouvernement allemand trouvera une source appréciable de revenus en devises étrangères en moyennant d'un apport en capital relativement faible.

Les revenus aux titres possédés par le gouvernement allemand seront appliqués automatiquement au paiement des réparations.'

12 Chairman of Messrs. Cammell Laird & Co. Ltd. and a director of several companies.

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£20 millions to allude to the fact that a suggestion had been made that £20 millions should be the sum. He would add that no definite decision had been come to on this point and that it would be discussed later in the day.

(7) Further Meeting of the Conference

The Conference agreed—

That a new French text of the document should be prepared in the light of the above discussion and circulated for consideration at a further meeting of the Conference to be held that afternoon.

Hôtel Crillon, Paris.

December 30th, 1921.

Note: The Belgian and Italian Representatives then entered the room. The subsequent discussion is recorded as I.C.P. 216 [No. 113].

No. 113

1.C.P. 216] British Secretary's Notes of a Meeting of the British, French, Belgian, and Italian Financial Delegations held at the Quai d'Orsay, Paris, on Friday, December 30, 1921, at 11.30 a.m.

PRESENT: British Empire: The Rt. Hon. Sir L. Worthington-Evans, Bt., M.P., Secretary of State for War; The Rt. Hon. Lord Inverforth; Sir Robert Kindersley, G.B.E.; Sir Allan Smith, K.B.E., M.P.; Mr. W. L. Hichens; Sir Edward Grigg, K.C.V.O., C.M.G.; Sir B. P. Blackett, K.C.B., Controller of Finance, Treasury; Mr. E. Allden; SECRETARY, Mr. T. St. Q. Hill.

France: M. Loucheur (in the Chair); M. Théodore Laurent, M. Gillet, M. Sergent, M. Seydoux, M. Parmentier, M. Tannery, M. Finaly, M. Avenol; SECRETARY, M. Petsche.

Belgium: M. Bemelmans.

Italy: M. Le Sénateur Conti, M. Mylius, Mg. Vittorio Laviosa, M. Giulio Jung; secretary, M. Eduardo Lanino.

INTERPRETER: Mr. Felkin.

M. LOUCHEUR stated that discussions had recently been held in London in the course of which it had been agreed that an attempt should be made to reconstruct European countries including Eastern Europe. It was considered that the Governments of the various countries should assist in the work and should invite the co-operation of the United States and Germany. With this end in view the British and French Governments had thought it desirable to elaborate a preliminary draft of their proposals. This draft had just been considered by the British and French Delegations, and a revised version, embodying the results of the discussion, would be prepared at once and circulated at a meeting to be held that afternoon.

The British and French Governments had been attempting to set forth the fundamental conditions for the economic rehabilitation of Europe. It had been proposed that this rehabilitation should be effected by a central organisation with a capital of £20 millions. This sum was not a definite one and would be discussed later. To the central organisation would be affiliated societies in each country. These societies would have the object of restoring economic prosperity in each country and would carry out particular operations in each country. For instance, if it was desired to restore the Russian railway system, a separate organisation would be set up to do this. Italy would have a proportion of the capital of the central organisation. If it were a question of the economic restoration of Austria, in which country Italy was particularly interested, Italy would be able [to] increase her proportion for that purpose.

The general lines of the plan were being redrafted and would be discussed at the meeting to be held that afternoon. The Belgian and Italian delegates had been invited to attend in order to be made acquainted with the plan with a view to further discussion.

The Conference then adjourned.

Hôtel Crillon, Paris.

December 30th, 1921.

No. 114

1.C.P. 217] Meeting of the British Financial Delegation, held in Sir Laming Worthington-Evans's Room at the Hôtel Crillon, Paris, on Friday, December 30, 1921, at 2.45 p.m.

PRESENT: The Rt. Hon. Sir Laming Worthington-Evans, Bt., M.P. (in the Chair); Sir Allan Smith, K.B.E., M.P.; Mr. W. L. Hichens; Sir Edward Grigg, K.C.V.O., C.M.G.; The Rt. Hon. Lord Inverforth; Sir Robert Kindersley, G.B.E.; Sir B. P. Blackett, K.C.B., Controller of Finance, Treasury; SECRETARY, Mr. T. St. Q. Hill.

SIR LAMING WORTHINGTON-EVANS explained that the difficulty was that the French financial experts thought that if the value of the franc rose, French investors who had bought shares in the Central Syndicate with francs at a low value would lose heavily. The alternative, however, would mean that the loss would be borne by the Central Syndicate.

Considerable discussion took place as to the French objections to the British scheme and as to the methods by which these objections could be met. SIR LAMING WORTHINGTON-EVANS summed up the discussion as follows:—

There were two possible courses of action:

(1) To insist on the subscription of capital being in sterling. This policy could be supported by the argument that the whole plan was based on a stable currency, and that to have many separate syndicates as desired by the French, each subscribing in their own national currency, would be an admission of the impracticability of the objects with which the Syndic[ate] had been started. Further no one would understand

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- the creation of a company for the economic reconstruction of Europe with a capital of only £10,000. The assets of the Company would be only £10,000 and the rest of the £20 millions would represent its liabilities.
- (2) To suggest that the initial subscriptions should be only £2 millions from each of the larger participating countries, leaving a call of £2 millions more. Of these initial subscriptions only 25% would be called up at once. This would mean that the French would get the benefit of the improvement of the exchange. This proposal was not such a bad one, since industrial interests would not subscribe without a Government guarantee. If such a guarantee were forth-coming the proposal would only amount to asking the Governments to guarantee their currency. This was not such a big demand if the Governments really wished for a stable currency.

Some discussion took place as to the proposal for allowing an option, and general dissatisfaction was expressed with this proposal.

The Meeting finally agreed:—

That Sir Laming Worthington-Evans should, at the Meeting to be held at 5.15 p.m. that afternoon with the financial representatives of the other nations, maintain his contention that the capital of the proposed Company for the reconstruction of Europe should be subscribed in sterling.

It was pointed out that the alternative to the sterling proposal was the creation of a Central Syndicate with a small capital, say, of £10,000, and having subsidiary syndicates in each country which would raise their capital in the currencies of those countries and would lend it to the Central Syndicate. These loans would entitle the subsidiary syndicates to a share in the profits, but would also involve liability to share the risks. No reference should, however, be made at the forthcoming Meeting by the British Representatives to this alternative, but it should be left to the representatives of other nations to put it, and in no case should any reference be made to an option to foreign countries to subscribe a part of the capital at the beginning and a part later.

Hôtel Crillon, Paris.
31st December, 1921.

No. 115

1.C.P. 218] British Secretary's Notes of a Meeting of the British, French, Belgian, Italian, and Japanese Financial Delegations held at the Quai d'Orsay, Paris, on Friday, December 30, 1921, at 5.15 p.m.

PRESENT: British Empire: The Rt. Hon. Sir L. Worthington-Evans, Bt., M.P., The Rt. Hon. Lord Inverforth; Sir R. Kindersley, G.B.E.; Sir Allan Smith, K.B.E., M.P.; Mr. W. L. Hichens; Sir E. Grigg, K.C.V.O., C.M.G.; Sir B. P. Blackett, K.C.B., Controller of Finance, Treasury; Mr. E. Allden; SECRETARY, Mr. T. St. Q. Hill.

France: M. Loucheur (in the Chair); M. Aubrun, M. Laurent, M. Gillet, M. Sergent, M. Seydoux, M. Parmentier, M. Tannery, M. Finaly, M. Avenol; SECRETARY, M. Petsche.

Belgium: M. Lepreux, Vice-Gouverneur de la Banque de Belgique; M. Gutt, Chef du Cabinet de M. Theunis; M. Blaise, Directeur Général d'Entreprises de Zinc; M. Galopin, Directeur de la Fabrique Nationale d'Armes; M. Bemelmans; SECRETARY, M. Bacharach.

Italy: Signor Raineri, Ministre des Régions Libérées; M. le Sénateur Conti, représentant des Industriels; Signor Mylius, représentant de la Banque Italienne; Signor Jung; Signor Cosulich; Signor Biancardi; Signor Fiori; Signor Laviosa; SECRETARY, Signor Lanino.

Japan: M. Matsuda, Conseiller d'Ambassade; M. Sakiba [Sekiba], Commissaire adj. à la Commission des Réparations.

INTERPRETER: M. Mathieu.

(1) Second French Version of British Document

M. LOUCHEUR welcomed the Belgian Delegation whom he was glad to see. He had heard of the difficulties which they had experienced in their journey and he expressed his sympathy with them.

As regards business he proposed to read the French text of the document as revised in accordance with the decisions taken at the meeting in the morning. The first part of this document contained a political declaration and stated the principles necessary for the economic re-establishment of Europe. He would read that part first. The second part related to business proposals.

M. LOUCHEUR then read the first three pages of the second version of the French document. This version as submitted to the Conference is reproduced as an appendix¹ to these minutes.

SIR LAMING WORTHINGTON-EVANS stated that he agreed with the French text as revised except that he would propose to add the following words at the end of page 2

'The situation is even more far-reaching for it has to be borne in mind that those countries producing raw materials such as India, China, Argentine & Brazil, if unable to sell these materials owing to an impoverished Europe, cannot in their turn purchase the manufactures with which Europe has hitherto supplied them.'

M. LOUCHEUR stated that he had no objection to the addition proposed by Sir L. Worthington-Evans. He then invited the observations of the Italian Delegation.

SIGNOR RAINERI stated that the Italian Delegation had the greatest sympathy with the attempts of the British and French Governments directed towards the economic re-establishment of Europe. His expression of opinion was, of course, of a general character and did not relate to details of the proposals. He wished however to state emphatically that no action was

Not printed. For the final French text, see No. 117 below, Appendix 3.

possible unless the rights of property and of private undertakings were guaranteed.

M. LOUCHEUR then asked for the opinion of the Belgian Delegation.

M. LEPREUX replied that the Belgian Delegation had only seen the text of the French document a few moments before but they desired to associate themselves with the declaration of the Italian Delegation and to express their agreement with the statements in regard to the present condition and needs of Europe, especially that on page 3 as to the co-operation of all European nations [? and] of all classes of society.²

M. LOUCHEUR said that if by to-morrow the Belgian Delegation desired to suggest amendments in the French document, it would be open to them to do so at a meeting which would be held to-morrow morning. He then asked for the opinion of the Japanese Delegation.

M. Matsuda state[d] that he had no observations to offer on the proposals. The Japanese Delegation had only received the document a few minutes ago and their Government had no information on the question. His own private opinion, which could not of course bind his Government, was that the arrangement proposed was satisfactory.

M. LOUCHEUR stated that he understood that the Japanese Delegation, while not committing themselves to any decision, which could bind their Government, approved generally the draft French document. He would now read the second part and discuss it paragraph by paragraph after it had been read. That part which he had already read contained the general principles. The second part raised important questions, namely, the capital to be provided, the currency in which the capital would stand, and the relation to the capital of the currencies of the participating countries. A further point of importance was the creation of the Franco-British Committees which would operate the scheme. After perusal of the document, he would ask each Delegation for their observations and for a statement of the points which they wished particularly to discuss.

(2) German Participation

SIR LAMING WORTHINGTON-EVANS remarked that the British Delegation considered German participation to be essential. The British would be prepared to admit the German[s] to equal participation and he understood that the French would be prepared to accept this. The amount of participation could be decided by a small committee which should fix the exact proportions. The shares of the principal countries should be equal and the division of the remainder should be a matter for negotiation between the participants.

M. LOUCHEUR stated that the first point in the British proposal related to

² The passage referred to read: 'La reconstruction de chaque pays par ses propres moyens s'est montré inefficace. Une coopération sans réserve entre toutes les nations de l'Europe et entre toutes les classes de la Société peut seule surmonter les difficultés, encourager et aider chaque pays à faire le meilleur usage de ses énergies et de ses ressources.'

the admission of Germany and the second to equal participation between France, Great Britain, Germany and possibly the United States. As regards the participation by other nations, Sir Laming Worthington-Evans suggested that negotiations should be carried on by a Franco-British committee. There was, of course, no intention under-lying this proposal to prevent the views of the Belgian and Italian Delegation[s] from being fully heard.

(3) Appointment of Franco-British Committee

SIGNOR RAINERI agreed with M. Loucheur and asked what the constitution of the small committee would be. Would it represent only France and Great Britain?

M. Loucheur suggested that this question should be laid aside for the moment. If the Conference agreed to the principle of the proposals the question of the committee could be considered later. During his discussion with Sir L. Worthington-Evans the idea of a small committee had been approved since it was thought that at first a committee on which all nations concerned were represented would be found to be an unpractical method and would not conduce to speed. It would be far more difficult to hold a meeting of representatives of five nations than of two. He had no objection to the representatives of five nations meeting once or twice during the deliberations of the committee but the elaboration of the scheme should be carried out by a committee of the two nations. His experience, lasting over five years, had shewn that no effective work was done by large bodies.

SIGNOR CONTI said that it was not necessary to have a large committee composed of many persons. The committee need have only four or five members. He understood that the proposal for the small committee of two nations had arisen by reason of the fact that Great Britain and France had taken the initiative in this matter and he would agree that in the large committee, which he himself preferred, the initiative should be reserved to Great Britain and France. The representation of Italy could be secured by nominating one of the Italians in Paris.

M. LEPREUX said that the Belgian Delegation desired to associate themselves with the observations of the Italian Delegation. The Belgian and Italian Representatives could be nominated from Belgians and Italians now in Paris, and could have full powers. They would, with the British and French delegates, constitute the managing board.

M. Matsuda expressed the opinion that it would be desirable to hold meetings of representatives from all the countries concerned.

M. LOUCHEUR stated that there were two stages. In the first stage the scheme would actually be started. The initiative would rest with Great Britain and France alone, whose representatives would negotiate with the other Governments. In the second stage the society would actually be constituted and there would be discussions regarding the managing board of the society. If the proposal of the Italian Delagation [sic] was accepted there would be no reason why the delegates of the United States and Germany should not be invited that night to come to Paris. He asked the conference

to accept the British proposal for a small committee consisting of representatives of Great Britain and France only. The deliberations of this small committee would be very brief and as soon as they were over and a scheme was prepared, representatives of all nations interested would be summoned to a discussion. There was no desire on the part of the British and French representatives to shut out their friends from the discussions but they wished to get results as quickly as possible. He therefore asked the Conference to agree to the establishment of a small committee.

SIR L. WORTHINGTON-EVANS stated that the only reason for the establishment of the small committee was to avoid delays. The small committee would have to meet the representatives of each nation concerned. If the committee were larger it would have to meet those representatives at one and the same time and it would be very difficult to arrange such a meeting. The procedure proposed by the British Delegation would be far quicker as there would be no necessity to wait for a date which would be convenient to representatives of all nations concerned.

SIGNOR CONTI stated that after hearing the arguments of the Chairman and of Sir L. Worthington-Evans the Italian Delegation was prepared to accept the proposal for a small committee which would get to work as quickly as possible, on the understanding that the work of the committee would be of a preliminary nature only and that afterwards there would be a full meeting of representatives of all the nationalities interested.

M. Lepreux informed the Conference that the Belgian Delegation was quite prepared to agree to the proposal for a small committee, but he suggested that a committee of five nations would really result in a greater saving of time than a committee of only two nations since the latter body would be unable to deal with big questions of principle and would have to refer these questions to a larger meeting. He hoped that big questions of principle would be referred when they arose to such a meeting of representatives of all nations concerned which would be held in Paris. In the last resort, however, he did not desire to maintain his objection to the establishment of a small committee.

M. LOUCHEUR replied that of the two proposals before the Conference he thought that the British proposal would result in greater expedition. The period during which the Franco-British committee would operate would not exceed one month and then there would be a meeting of the representatives of all the nations concerned. He did not wish that meeting to consist of the various national representatives already in Paris. He was personally acquainted with the Belgian representatives in Paris. He admired their efficiency and found them very pleasant to work with, but Government representatives were not wanted. France and Great Britain to[o] proposed to appoint bankers and industrial magnates as their representatives. When the Governments concerned had achieved their object in setting the machinery going they would cease to use official representatives. If it were necessary to summon a meeting of official representatives of France, Belgium, Great Britain, Japan, and the United States, he very much feared that nothing

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would be done. It would be possible now to arrange who would represent the various nations at the larger meeting to be summoned later.

M. Lepreux then agreed not to insist on the Belgian objection to the establishment of a Franco-British committee.

M. LOUCHEUR stated that he gathered that the intention of the Conference was (1) to approve the appointment of a Franco-British committee consisting of two delegates from each nation in order to work out the practical application of the scheme for the economic re-establishment of Europe, and (2) to decide that a meeting of the nations concerned should be summoned immediately after the Franco-British committee had completed its labours.

The Conference agreed to approve the proposal put to it by the Chairman.

(4) Capital of the Super-National Association

M. LOUCHEUR stated that the capital of the proposed corporation had been placed at a figure of £20 millions. Important questions arose on this. It would be dangerous for French industrial and financial interests to subscribe this capital in any currency other than French currency since the value of the French subscriptions would be reduced by one-half if the exchange went to par. Similar considerations applied to Italian subscriptions which would be reduced by three quarters in value if the Italian exchange went to par. He suggested that a small central company with a small capital should be created and that the major portion of the subscriptions should be raised in the currencies of the various countries concerned. The British Delegation had already offered comments on the proposal this morning³ and he would like to discuss the question now with the other Delegations.

SIGNOR RAINERI stated that the Italian Delegation agreed unanimously with the Chairman's observations. The Italian Delegation had this morning discussed a scheme very similar to that now put forward and had considered the establishment of a central body possessing branches in every country, which branches would be financed by capital subscribed in the currencies of the countries concerned. The main office of the corporation should be in England however.

M. LOUCHEUR replied that there was no objection to the main office of the corporation being established in England though he had thought of its being established in Switzerland or in Jersey where there were no taxes. There was, however, no objection to the main office being in London if the question of the income tax could be settled.

M. Lepreux stated that he had read the draft very hurriedly since it had been put before him only at the beginning of the meeting. As regards the capital of the corporation the question for consideration was how to obtain a large quantity of capital, namely \mathcal{L}_{20} millions, which might or might not be sufficient. Was this not putting the cart before the horse? And would it not be preferable to discuss the objects of the corporation first? Perhaps his

3 See No. 112, minute 2.

enquiry was made in ignorance but he would be grateful if the British Delegation could define the objects of the corporation first.

Sir L. Worthington-Evans replied that two questions were before the conference, (1) the amount of the capital, (2) the currency in which the capital was to be subscribed. The suggestion was that the amount of the capital should be £20 millions not because the British Government thought that this was the ultimate amount of capital which would be necessary but it was however necessary to have a substantial capital and not a sum 'pour rire'. A substantial sum would guarantee the seriousness of the endeavour to provide work and to re-establish the economic situation of Europe. A very small amount of capital would be laughed at and would fail to give an impression of serious intentions. Although the object of the corporation could only be defined in general terms capital sufficiently large to show that the corporation had a serious object was required. He suggested that the capital should be £20 millions which need not be paid up at first. The directors would decide when the rest of the capital should be paid up but some part of it, say 25%, should be paid up at once.

M. LOUCHEUR stated that discussions had taken place at London on the amount of the capital of the company. At first the discussions had related to a sum of £10 millions, but subsequently it had been thought necessary to change this sum to £20 millions. The Press was talking everywhere of the proposed society which would reconstruct Europe and it was necessary, if only for appearance ['s] sake, that the society should have a respectable capital.

M. Lepreux stated that he had no desire to criticise the amount of capital suggested but he had been anxious to know for what purposes it would be used.

M. SAKIBA [sic] asked under what law the company would be constituted. Would it be under British law?

M. LOUCHEUR replied that the law governing the company would be that of the country in the currency of which the capital was subscribed. The main body would be in Great Britain and would come under British company law, but the branches would be governed by the respective laws of the countries in which they were established. He had asked the opinions of the various Delegations but had not received any opinion from the Japanese Delegation on the question of currency. Would there be any difficulty in Japan subscribing in sterling?

M. SAKIBA replied that there would be no difficulty.

(5) Currencies

M. LOUCHEUR then stated that the Conference would next consider in detail the question of currencies.

SIR L. WORTHINGTON-EVANS stated that this was a most difficult question. He fully appreciated the difficulty of any nation with a temporarily reduced currency subscribing in the currency of another nation which stood at a higher value. The British had the same feeling regarding the dollar and did not

4 i.e. a derisory sum.



overlook the difficulties of other European nations. He must, however, be frank. Someone had to take the risk of the currency appreciating or depreciating. This risk could be borne in two ways:—(1) by the subscribers, (2) by the Central Corporation. The latter either accepts subscriptions only in sterling, in which event the subscribers might lose or gain, or else the Central Corporation has to take foreign currencies and to bear the risk. The British Delegation had been spending two or three hours in attempting to solve the problem⁵ which had been adverted to last night by M. Loucheur. As Head of the Delegation he had the advantage of the advice of two or three real financial experts and they were all tired of trying to find a solution. Only one suggestion had been made. Namely that by M. Loucheur yesterday. This suggestion had been favoured both by the Italian and the Belgian Delegation. It was to the effect that a small central syndicate with a nominal amount of capital should be established but that the real capital should be submitted by the various nations in national currency.

This suggestion was not a practicable one. The British Delegation had been working out its consequences. The essence of the scheme was that the central organisation should have control. This the central organisation could not have without the concurrence of each of the national syndicates and it could only obtain that concurrence by having power over those national syndicates. This power could be secured only in one way, namely, by the control of the money subscribed.

M. Loucheur asked why capital was required? It was required for two purposes. (1) In order that the company might have a 'facade' and (2) in order that the company might be able to carry on its operations. For the purpose of a 'facade' the establishment of a central company would be sufficient but the money would be raised by means of important credits obtained by the sub-ordinate companies. If any of these subordinate companies wished to do any particular kind of work, e.g. the reconstruction of the Russian railways, it would raise the loan in the currency of the country in which it was established. This last proposal was the one which he preferred. There were two ways of providing for the £20 million capital. (1) By subscriptions to the central body, (2) by means of credits opened in other countries. He himself would prefer the opening of credits in other countries. These credits would be at the disposal of the central body which would use them without consulting the subsidiary companies. When these credits had been exhausted the risk would not be big because each country would have a share in its works in proportion to the amount of money which it had subscribed. He must maintain that the major portion of the subscriptions should be in the currencies of the countries subscribing. It would be impossible for him to invite French subscribers to subscribe in sterling. The question was of such a difficult nature that a decision could obviously not be reached that night. He therefore asked all the Delegation[s] to think it over. The question could and must be solved. He proposed that a further meeting should be held at 10 a.m. the next morning.

5 See No. 114.

SIR L. WORTHINGTON-EVANS stated that in anticipation of what M. Loucheur had just said he had been considering the proposal now before the conference and wished to express a point of view which the Delegates might consider over the night. M. Loucheur's proposal was that a small central syndicate should borrow for a period of, say, 20 to 30 years, from national syndicates. The borrowing should take place in the national currencies. The central syndicate would thus take the risk. He asked the Delegates to picture the first balance sheet of this important company which had been established to reconstruct Europe. The Balance Sheet would appear as follows: Capital £10,000, Debts £20,000,000.

M. LOUCHEUR indicated his dissent.

SIR L. WORTHINGTON-EVANS said that it would be very clever finance if such a small capital as this could sufficiently impress Europe and he was afraid that the Chairman's suggestion would not form a solution.

SIGNOR RAINERI stated that he desired to make a few remarks on the paragraph on page 4 of the draft which reads in the British version (A.J. 307):—

'The corporation will at the same time encourage private enterprises willing to engage in particular undertakings.'6

He believed in the application of this principle and he thought that account should be taken of private interests in each country and full consideration should be given to the zone of interest possessed by the participating countries in any country in which operations were carried on.

M. LOUCHEUR stated that Signor Raineri's observations were based on a misapprehension of the syndicate's operations.

The syndicate was not a Government concern though it would have the help of all the Governments. For instance in Austria there were concerns which at present were being assisted by the Italian Government. If a syndicate were formed by the Belgian[s], French, British or Americans, it would have exactly the same right to assistance from its own Government. When the participation of the Italians in any particular scheme was invited, the Italians could make their own conditions.

SIGNOR CONTI stated that he would raise the question again. He then referred to the words 'on principle' in line 2 of page 5 of the French document? and asked that the words 'de droit' should be substituted in order to avoid one country offering to perform work at a lower price than another and so obtaining the contract.

M. LOUCHEUR replied that no provision could be adopted in regard to something which had not yet been born.

The Conference then adjourned.

Hôtel Crillon, Paris.

December 30th, 1921.

6 Cf. No. 111, Appendix 2, p. 800.

⁷ The sentence referred to read: 'Les marchés de fournitures et de travaux seront en principe attribués à chaque pays proportionnellement à sa part de capital dans la société et ses filiales.'



No. 116

I.C.P. 219] Note of a Discussion with M. Loucheur held in Sir Laming Worthington-Evans's Room at the Hôtel Crillon, Paris, on Friday, December 30, 1921, at 9.30 p.m.

PRESENT: The Rt. Hon. Sir Laming Worthington-Evans, Bart., M.P.; M. Loucheur; The Rt. Hon. Lord Inverforth; Sir Robert Kindersley, G.B.E.; Sir Allan Smith, K.B.E., M.P.; Mr. W. L. Hichens; Sir Edward Grigg, K.C.V.O., C.M.G.; Mr. E. Allden; SECRETARY, Mr. T. St. Q. Hill.

(1) Discussion on Financial Situation

A general discussion principally between Monsieur Loucheur and Mr. Hitchens [sic] took place on the general financial situation of Europe.

M. LOUCHEUR heartily endorsed the suggestion that every effort should be made to reconstitute the depreciated currencies of Europe, particularly those of Central Europe.

In reply to a question by Mr. Hitchens, he stated that all Governments in Europe, including Germany and Russia should balance their Budgets. France had already balanced her Budget: she only had a deficit on pensions which she was looking to meet from reparations.

SIR L. WORTHINGTON-EVANS pointed out that to compel all countries to balance their Budgets would solve the problem, but it would also involve a surrender of sovereignty by the countries concerned.

M. LOUCHEUR replied that France and England stood together in this, and if they co-operated, they could exercise the greatest influence. At present the countries of Eastern Europe inflicted damage on both France and England by their political follies. France and England suffered financially from this situation.

(2) Subscription of Capital of the Corporation

The Meeting then proceeded to discuss the question which had been considered at the Meeting of [the] financial Delegation[s] held at 5.15 p.m. at the Quai d'Orsay that afternoon (December 30th). See I.C.P. 218.1

SIR LAMING WORTHINGTON-EVANS asked whether France could not provide a Government guarantee for subscriptions in sterling. The British Government envisaged the possibility of having to give such a guarantee to their subscribers.

Monsieur Loucheur replied that such a course would be impossible for France.

SIR LAMING WORTHINGTON-EVANS asked Monsieur Loucheur to consider what this refusal meant. In effect, the British and French Governments were proposing to set up a Corporation for which they agreed a stable currency was requisite. Yet, the British and French Governments would be admitting from the beginning that such a currency could not be found, and that it was necessary to break up the capital into different currencies;

¹ No. 115.

i.e. to follow the very course which was contrary to what the manifesto stated to be requisite. If the more stable countries took this line, what would countries like Germany and Italy say?

There were four countries which would be concerned: France, Great Britain, the United States and Germany. Germany was prepared to subscribe in sterling and French shareholders would be unwilling to take the risk of Germany subscribing with the mark at 750, since immediately the Company began to operate, the mark would rise to 500, or possibly 300, thus benefitting [sic] the German shareholders and injuring the other shareholders.

The United States would not subscribe in dollars because dollars were at 4.20 and might soon be at par.

Thus, out of the four principal countries, three would desire to subscribe in sterling. The objection held by Monsieur Loucheur was not material since the French shareholders would always retain the same interest in the Corporation's profits no matter what the value of the franc was. Would it not be possible for the French Government to meet the views of the British Government in this?

Monsieur Loucheur maintained his objection. All improvements of the French exchange would involve a loss of capital if French subscriptions were in sterling. No French banker would look at such a proposition. It was quite impossible.

SIR LAMING WORTHINGTON-EVANS asked if subscription in francs would be considered a more desirable proposition. He foresaw a possible refusal by the Germans to subscribe.

Monsieur Loucheur stated that this was a reasonable proposition. There would be no difficulty in obtaining German subscriptions in francs. He quite agreed to the proposal that subscriptions should be made in francs, and repeated his statement that French financiers would not consider any proposal for subscription in sterling.

Reference was made to Monsieur Loucheur's apparent willingness during the negotiations in London that French subscriptions should be made in sterling, and Monsieur Loucheur said that his change of attitude was due to his consultation with French financiers.

Some discussion took place as to the share of losses and it was agreed that losses should be shared fairly between subscribers in sterling and subscribers in francs, and that a formula should be worked out providing this.

After a prolonged discussion it was agreed that a proposal on the following lines should be put before a Meeting of the Conference to be held next morning at 10 a.m. at the Quai d'Orsay:—

That there should be an English registered Corporation, the capital of which should be subscribed by the British, Americans, Germans, Japanese, and other nationalities which were willing to subscribe in sterling; the amount of these subscriptions should be 70% of the total capital; the subscriptions in francs should be 30%.

This British Corporation would have to be made the subject of a special

Act of Parliament which would free its foreign shareholders from incidence on [?of] income tax. The occasion of the passage of the Act of Parliament should be taken to legalise under British Company Law, the arrangements whereby a Company registered in France should hold a percentage of the capital, namely 30% of the whole at the present rate of exchange, and should lend the whole of its 30% to the British Company, nominating at the same time a French representative on the Board of Management of the British Company. This French Company would not carry out any other transaction of any kind and the British Company would hold all the capital, but would pay the same dividend and accord the same treatment to British shareholders and French loan creditors. The latter would share in loss as well as in profit. Any subscriber would be allowed to elect to subscribe in either the British or the French Company, and the British Government would do their best to secure by Act of Parliament that the capital of the British-registered Company should be either in sterling or in francs, the portion subscribed in francs to be re-payable in francs, but for purposes of dividend to be taken at the current rate of exchange.

Monsieur Loucheur at first suggested that the above proposals should be submitted to the small Franco-British committee and emphasised the necessity for consultation with financial and industrial interests before any definite decision was taken, but on its being pointed out to him that this would, in effect, be an admission that nothing definite had been decided by the financial conference, he agreed to submit the proposal to the Meeting of the Conference to be held next morning.

Hôtel Crillon, Paris.

December 30th, 1921.

No. 117

I.C.P. 220] British Secretary's Notes of a Meeting of the British, French, Belgian, Italian, and Japanese Financial Delegations held at the Quai d'Orsay, Paris, on Saturday, December 31, 1921, at 10 a.m.

PRESENT: British Empire: The Rt. Hon. Sir L. Worthington-Evans, Bt., M.P., Secretary of State for War; Sir R. Kindersley, G.B.E.; Sir Allan Smith, K.C.B., M.P.; Mr. W. L. Hichens; Sir E. Grigg, K.C.V.O., C.M.G.; Sir B. P. Blackett, K.C.B., Controller of Finance, Treasury; Mr. E. Allden; SECRETARY, Mr. T. St. Q. Hill.

France: M. Loucheur, M. Gillet, M. Finaly, M. Tannery, M. Avenol, M. Seydoux, M. Lefebre [?Lefèvre], M. Sergent; secretary, M. Petsche.

Belgium: M. Lepreux, Vice-Gouverneur de la Banque de Belgique; M. Gutt, Chef du Cabinet de M. Theunis; M. Blaise, Directeur Général d'Entreprises de Zinc; M. Galopin, Directeur de la Fabrique Nationale d'Armes; secretary, M. Bacharach.

Italy: Signor Raineri, Ministre des Régions Libérées; M. le Sénateur Conti, représentant des Industriels; Signor Mylius, représentant de la Banque Italienne; Signor Jung; Signor Cosulich; Signor Biancardi; Signor Fiori; Signor Laviosa; secretary, Signor Lanino.

Japan: M. Matsuda, Conseiller d'Ambassade; M. Sakiba [Sekiba], Commissa[i]re adj. à la Commission des Réparations.

INTERPRETER: M. Mathieu.

[1] Capital of Proposed Company

The Conference had before them a third draft of the French translation of the British memorandum (A.J. 307). The draft as submitted to the Conference is reproduced as Appendix 1 to these Minutes.¹

M. LOUCHEUR stated that the Conference would now have to discuss the big difficulty. There had been a discussion between himself and Sir L. Worthington-Evans on the question of the currency in which the capital of the proposed corporation should be subscribed.² Sir L. Worthington-Evans had proposed a scheme under which the capital would be subscribed both in sterling and in francs, the value of the francs being fixed at a certain rate of exchange, for example, 50 francs to the pound. The British Empire, the United States and other countries who wished to do so would take shares in sterling. The French subscriptions would be in francs and French and British subscribers would have the same rights and the same dividends. The dividends paid in francs would be distributed at the rate of exchange of the day. The difficulty which he foresaw in the way of carrying out this proposal was that in 10 years' time if the franc had reached par, the French subscribers would only receive one-half of what they had subscribed.

The French proposal was to constitute a central company with capital of £2 millions sterling. Under this company would be subsidiary companies controlled by the main body. This was quite [a] usual course. The shares of the French company would be handed over to the British in order to ensure proper control.

He understood that the objections of the British Delegation to the French proposal were as follows:—

(1) The capital of the central company would not be sufficiently impressive and would hardly be commensurate with the important work to be performed by the company.

The answer to this contention was in his opinion that the capital of the central company would be associated with the capital of the subsidiary companies of which it would have control. The company would in fact have a capital of £20 millions sterling. He thought that the real facts of the case could be made clear to the whole world.

- (2) Control by the central company over the subsidiary companies would be difficult.
- (3) There was a risk of loss on the exchange which would be passed from the French and Italian investors to the central company.

The British Delegation thought that this risk should be borne by the depreciated currencies. The answer in his opinion was that the expenditure

¹ Not printed, see n. 6 below. ² See No. 116.

on the works to be carried on by the subsidiary companies would only take place partly in sterling, some expenditure would be in francs, lire and other currencies. Hence it was difficult to see where the risk was.

M. LOUCHEUR then asked whether he had put the British view fairly and whether the British Delegation would not give a further explanation.

SIR L. WORTHINGTON-EVANS stated that he would take the question of risk first. The British Delegation fully appreciated the ability of the statement just made by M. Loucheur, but they did not think that their arguments had been fully understood by the Conference. As regards this question the French Delegation were asking the central company to take the whole risk. The British plan divided the risk. The central syndicate did share in the risk under the British plan because if franc shares were lower now than when the distribution of assets took place there would be a loss. This fact did place part of the risk on the central syndicate. He was convinced that the French plan was quite impracticable. It consisted in the construction of a central syndicate with sub-syndicates holding capital in five or six different currencies. The central syndicate under this plan would borrow for 20 or 30 years (the life of the syndicate) at the rate of exchange of the day. It would repay its borrowings at the rate of exchange ruling when the syndicate distributed its assets. If the exchanges were to see a great variation the whole risk would be put on the central syndicate.

Sir L. Worthington-Evans, continuing, stated that he wished to say something more relating to the appearance of the transactions. Why was this Conference here? Because the Governments concerned wanted European co-operation in an endeavour to place Eastern Europe on its legs again. At the very first moment of co-operation the Conference was beginning to break off into three or more national syndicates. This was not co-operation. The Conference was trying to establish the conditions of co-operation. Were they to exhibit non-coperation [sic] at the outset? He himself would prefer the subscriptions to be in sterling, but they need not all be in sterling, three quarters would suffice. The British Delegation was willing to yield and to agree to subscriptions in two currencies. They did not wish to make it appear that at the very beginning the Conference were unable to agree to the formation of a central syndicate and preferred to establish five or six syndicates. That would not be co-operation.

M. LOUCHEUR stated that he proposed to answer the second part of Sir L. Worthington-Evans' statement first. He saw the political difficulties of the French proposals. They were not, however, quite so great as Sir L. Worthington-Evans had thought. It was the fault of nobody that there were violent fluctuations in the rate of exchange. Sir L. Worthington-Evans' proposal was equivalent to saying that French subscribers must run the risk of losing half their shares. This was not likely to improve the currency. If there existed a national currency not liable to fluctuations in exchange he would be all in favour of using that currency for the purpose of capital. As regards control of the company he would be quite prepared to hand over the complete control of the French to the British central company, but he was

not prepared to face the loss to French shareholders of 100 million francs. It would not be easy to ask French subscribers to subscribe when they would be facing a loss of 50% and this loss of capital would increase in proportion to the growth of French prosperity.

As regards Sir L. Worthington-Evans' proposals for dividing the risk he did not know whether this would meet the difficulty arising from fluctuations in the rate of exchange. Last night the British Delegation, he knew, had earnestly tried in consultation with him to find some solution and had accepted a proposal for a subscription in two currencies. The 20 million capital would not be wanted immediately and the course of action might be to open credits as it became necessary to meet expenditure. His proposal was to create a strong central syndicate with a capital of $\pounds 2$ million sterling. Last night they had considered the opening of credits in francs which could be transferred into lire at the right moment so as to minimise the risk for Italy. The same course might be followed in the case of France.

The present British proposal was a great improvement on that which had been originally put forward but he knew that Sir L. Worthington-Evans would not accept it if he were in his (M. Loucheur's) place. He suggested referring the whole matter to the small Franco-British Committee at once.³ It was, he admitted, essential to have a good 'facade' and absolute control by the British company, but he wished to effect this with a minimum of risk and not to impose on French subscribers a risk of 50% on their capital and on Italian subscribers a risk of 75% on their capital.

It had been suggested that the central syndicate should be of an international character and not a purely British company. It would require special British legislation in any case.

The risk of the exchange was not so large as might be imagined. For instance if the central syndicate wished to take up any special enterprise such as the working of electric power stations, it would operate in the currency of the country in which the undertaking was being carried out and all parties would run the risk of the exchange. This risk was not so great for France, it was true, as for Great Britain. He did not desire the central syndicate to run any risk, but neither did he wish to enter into an engagement that if the £1 equals 50 francs now it must always be taken at 50 francs and that French subscribers will still in 10 years' time be obliged to pay 50 francs for shares which were only worth 25 francs. In conclusion he wished to emphasise the fact that each country must bear its own risk.

Signor Conti stated that he quite agreed with M. Loucheur's observations. If the central company were registered in Great Britain with a capital in sterling and possessed branch companies in other countries possessing in their turn capital in the currency of those countries, no risk would be taken by the central company as the money would be paid by the branch companies in each currency. He hoped that the British Delegation would accept the French proposal. If they would not do this he desired to remind the British Delegation of another suggestion which had been made yesterday, namely,

3 For the decision to appoint this committee see No. 115, minute 3.

to pay up only part of the capital at once and the remainder after 5 years. Loans might be raised just at the time when the money was wanted and there would be no risk. No one knew what the franc would be worth in 10 years' time but all hoped that fluctuations in the exchange would cease. If the capital of the central company were paid up now perhaps twice as many lire and francs would have to be paid now as in 5 years' time when conditions would be greatly improved. The Italian proposal was a solution of the problem and bridged over the dangerous period. It was not a definite proposal as he still hoped that the French proposal would be accepted instead. If, however, the small technical committee would not accept the French proposal they might proceed to study the Italian proposal.

M. Lepreux read to the conference a statement by the Belgian Delegation which is reproduced as Appendix 2. After reading his statement, M. Lepreux added that the question of exchange was fundamental and was a very difficult one. The British proposal was for capital in sterling but they had admitted another solution as being possible. He did not know whether M. Loucheur's suggestion was a practicable one. In any case the problem could not be solved in the few hours which had been devoted to it. Haste would be dangerous. Would it not be desirable to submit the question to a small technical committee for full consideration? This would not be an admission of failure. There should be a committee of French, British, Italians and Belgians to study the whole matter and furnish observations. So far as the Belgian Delegation was concerned they were afraid of a solution hastily arrived at. Such a solution might not be the best.

M. LOUCHEUR asked whether the Japanese Delegation accepted the British proposal or the French proposal?

M. MATSUDA replied that the Japanese Delegation agreed with the French and British Delegations.

M. Loucheur then proposed that each Delegation should consult separately. (The Conference then adjourned for 15 minutes).

On the resumption of the discussion

Monsieur Loucheur stated that the question for the consideration of the Conference was financial and political. The Delegations would submit their views to their respective Prime Ministers at Cannes⁵ and the matter would again be discussed. He proposed now to go through the French version of the British proposal (See Appendix 1).⁶

[2] Consideration of the Third French Draft

The Conference then considered in detail the third French draft of the British proposal. This draft as finally approved is attached (Appendix 3).

- 4 Cf. No. 115, minute 4; no reference is made, however, to a five-year period.
- ⁵ An Inter-Allied Conference was to be held at Cannes early in Jan. 1922; see No. 108, n. 3.
- ⁶ Not printed. The main differences between this draft and the final French text, printed as Appendix 3 below, were the alterations agreed upon by the Allied delegates and listed in the succeeding section of these minutes. In addition there were slight variations in paragraphing and a few drafting amendments.

The following are the alterations which the Conference agreed should be made in the French draft as submitted to them (Appendix 1).

- (1) Paragraph 3, line 3 for 'misère' read 'gêne'.
- (2) Paragraph 6, line 4, after the word 'publiques' insert the following words: 'et les engagements des États'.
- (3) Page 2, paragraph 3, line 2, for the word 'essentiels' substitute the word 'nécessaires'.
- (4) Page 2, paragraph 3, the last sentence should read as follows: 'Les causes de misère et de famine dans l'Est ne permettront pas pendant une longue période le complet travail des populations ouvrièr[e]s et industriel[les] de l'Europe occidentale, et pendant cette période les nations se feront concurrence sur les marchés', etc.⁷
- (5) Page 2, paragraph 4, delete from 'la famine...celle de 1914'8 and substitute 'continuera et s'accentuera une malaise générale⁹ qui affaiblira progressivement les classes ouvrières et intellectuelles'.
- (6) Page 2, paragraph 4, before [? after] the words 'tous les peuples' insert the paragraph on page 3 'La situation a des conséquences . . . jusqu'à ce jour'. 10
- (7) Page 2, paragraph 4, last line, delete the word 'également'.
- (8) Page 3, line 1, for the word 'invite' substitute the word 'consiste'.
- (9) Page 3, line 3, for the words 'sans réserve' substitute 'complète'.
- (10) Page 3, line 11, for the word 'créanciers' substitute the words 'capables de fournir un [e] aide efficace'.
- (11) Page 3, paragraph 3, line 3, for the word 'convenable' substitute the word 'déterminé'. 11
- (12) Page 4, paragraph 3, line 1, after the word 'entreprendre' insert the words 'tout en saufgardant les débits acquis par les ressortissements des pays' [sic]. 12
- (13) Page 4, paragraph 4, line 6, for the words 'faut leur' substitute the word 'faudra'.
- (14) Page 4, paragraph 4, line 6, for the words 'nouvelles sources d'activité' substitute the words 'nouveaux champs d'action pour les mains [la main] d'œuvre'.
- 7 In Appendix 1 this sentence had read: 'Les causes de misère et de famine dans l'Est condamneront au chômage les populations industrielles de l'Europe occidentale pour une longue période durant laquelle elles se feront concurrence sur les marchés,' etc.
- * The deleted passage had read: 'la famine et la privation mineront les classes pauvrières [?ouvrières] et laborieuses, posant une immense misère qui durera jusqu'à ce que la capacité productrice de l'Europe tombe au niveau d'une capacité à consommation bien inférieure à celle de 1914.'
- Cf. Appendix 3 (p. 833, third line from bottom) where the substituted words read: 'continuera de s'accentuer un malaise général'.
- 10 The paragraph in Appendix 1 referred to had read: 'La situation a des conséquences qui s'étendent encore plus loin, car on ne peut oublier que les pays qui produisent des matières financières [? premières] tel que l'Inde, la Chine, l'Argentine, le Brézil[sic], s'ils ne peuvent pas les vendre à une Europe appauvrie ne pourront à leur tour acheter à l'Europe les produits fabriqués qu'elle leur a vendus jusqu'à ce jour.'
 - Not substituted in the final draft. 12 Cf. p. 834, lines 12 and 13 from bottom.

- (15) Page 5, paragraph 1, line 4, add the words 'et sous réserve de la question des monnaies'.
- (16) Page 5, delete paragraph 2.13

SIR ROBERT KINDERSLEY after the detailed consideration of the third French draft addressed the Conference and stated that he considered it to be a great pity if the delegates were to leave without having explored a little further the proposition which had been discussed the night before with Monsieur Loucheur. He believed that there was a misunderstanding on the part of the French Delegation in regard to the question of capital. The proposal as discussed last night was for a Company with two kinds of capital, namely, sterling and francs. The basis of subscription of the latter should be the rate of exchange for the day; say, for the sake of argument, 50 francs. In the case of final liquidation, the intention was that French subscriptions should rank on the same basis of 50 francs to the £. Subscribers put in 50 francs, and the intention was that they should take out 50 francs. If there was a loss on the capital account that loss would be divided on the same basis.

He then referred to the question of dividends. This was a considerable difficulty. If a dividend were declared, for instance, on the basis of 10% obviously, in the event of improvements of the franc, the French dividend would be impaired.

The capital was, in his opinion, quite safe. With regard to the dividend, it ought not to be beyond the competence of the Conference to find a way out. If this could be done with regard to the dividend, then the establishment of a large British Company with two kinds of capital was the best solution, he thought.

Sir Robert Kindersley concluded by stating he had only risen because he thought there had been some misunderstanding at the Conference in regard to subscription of capital.

Monsieur Loucheur thanked Sir Robert Kindersley for his clear statement. He proposed that the discussion should not be further prolonged, and that the whole question should be referred to the Prime Ministers at Cannes. It was necessary for the various Delegations to consider the matter separately in the meantime. He had no doubt that a solution would be found at Cannes.

Monsieur Lepreux asked whether the French Memorandum would be published.

Monsieur Loucheur stated that the proposal was not to publish until the Memorandum had been submitted to the Prime Ministers at Cannes. As regards the Press, he suggested that a communiqué should be made to them. The form of this communiqué as finally agreed is set out in Appendix 4.

SIR L. WORTHINGTON-EVANS thanked M. Loucheur for the able work which he had performed as Chairman of the Conference. M. Loucheur was an old hand at this kind of thing. In fact, he was what the English would

¹² This paragraph had read 'Les souscriptions aux actions devront être effectuées sur les bases d'une même monnaie, pour laquelle on propose la livre sterling.'

call an 'old Parliamentary hand'. He had found him a very difficult person to convince, but a very pleasant one to work with.

M. LOUCHEUR in reply thanked the Conference for their labours and expressed his gratitude for the remarks made by Sir L. Worthington-Evans.

Hôtel Crillon, Paris, 31st December, 1921.

APPENDIX 2 TO No. 117

Note de la Délégation Belge

La Délégation a pris connaissance hier seulement, au moment d'entrer en séance, des propositions élaborées en vue de rétablir en Europe de meilleures conditions économiques. Il lui a donc été impossible de formuler immédiatement des remarques précises à ce sujet. — Elle a rédigé une note suscincte [sic] signalant les points qui ont retenu le plus fortement son attention: elle prie Mr. le Président et les Délégations de bien vouloir excuser l'imperfection de cette note qui se borne à condenser les résultats d'une étude forcément hâtive.—

En ce qui concerne la première partie du projet relative au rétablissement des relations commerciales internationales en Europe centrale et orientale, la Délégation belge ne peut que rendre hommage à la hauteur et à la justesse des vues qui y sont exprimées. Elle croit utile de préciser que l'action des crédits serait illusoire si elle n'avait pour but immédiat le rétablissement des relations commerciales normales: elle serait vaine si le pays emprunteur, dans son effort de reconstituition [sic], se trouvait entravé par des barrières douanières trop resserrées. —

Appliquées dans cet esprit de liberté, les propositions présentées offriraient l'immense avantage de rétablir dans l'Europe la stabilité nécessaire des relations économiques.

La seconde partie du projet appelle de la part de la Délégation belge les remarques suivantes: les propositions qui nous ont été communiquées tendent à la création d'une association internationale ayant pour objet l'ouverture de crédits destinés à faciliter la restauration économique de l'Europe centrale et orientale.—

Il nous paraît nécessaire que des précisions soient fournies sur le but poursuivi par cette association. En effet, il résulte des échanges de vues qui ont eu lieu hier, que l'on compterait passer immédiatement à l'exécution de ce plan. M. le Président nous a demandé de faire désigner des Délégués, un financier et un industriel qui représenteraient la Belgique au sein de cette association. Il est indispensable que nous connaissions exactement l'objet de celle-ci pour fixer les pouvoirs de nos délégués. Il est indispensable également de disposer des éléments précis permettant de mettre l'opinion publique au courant et de préparer l'appel qui devrait être fait aux souscripteurs belges.

La vaste association à créer semble, par sa nature même, destinée à n'entreprendre que des travaux d'une certaine ampleur. Il nous paraît à cet égard que l'on pourrait se mettre d'accord sur un programme défini. Celui-ci qui ne pourrait être mis en application qu'une fois l'ordre rétabli conformément aux indications de la première partie du projet—consisterait par exemple dans le rétablissement des communications. Cette œuvre nous paraît le plus propre à permettre aux initiatives individuelles de s'affirmer à nouveau et de concourir avec le moins de frais et le plus de rapidité possible à la restauration poursuivie. Ce but ainsi précisé, il importerait d'éviter tout malentendu sur la nature et la portée de l'action du consortium. Nous avons compris que celui-ci était un organisme de nature essentiellement privée et ne jouissant d'aucune espèce de monopole. D'autre part, nous comprenons que l'intervention du nouvel organisme ne pourrait avoir pour effet d'imposer des modifications aux situations existant avant la guerre en ce qui concerne la répartition des capitaux étrangers investis dans des entreprises fonctionnant dans les pays envisagés.

Les modalités de réalisation du projet devront faire l'objet d'un examen attentif. En ce qui concerne la répartition du capital, il a été suggéré dès à present que les parts réservées à la Grande-Bretagne, à la France, à l'Allemagne, et éventuellement aux États-Unis seraient égales. On proposait de charger le Comité de Direction de recueillir les éléments d'information nécessaires à la fixation des parts des autres intéressés.

Il nous semble que, dans ces conditions, toute fixation de part est prématurée. Le Comité de Direction aura à se procurer une documentation complète tenant compte notamment, pour tous les pays envisagés, des intérêts que chacun de ces pays possédait antérieurement à la guerre dans les régions à reconstituer. Une fois cette documentation réunie, une répartition générale pourrait être arrêtée.

Il nous paraît pratique que, conformément à la proposition de Mr. le Président, ce Comité de Direction, considéré comme l'émanation de la présente Assemblée, prépare un projet de répartitions et lui fasse rapport dans un délai d'un mois, soit le 31/1/1922 au plus tard. Si à ce moment on n'était pas parvenu à résoudre certaines questions, l'Assemblée aurait à se prononcer sur la solution à adopter ou les méthodes à suivre.

Nous sommes d'accord également, sous le bénéfice des observations qui précèdent, pour considérer comme équitable la répartition des commandes entre les différents états au prorata de leur participation dans le consortium. Une réserve pourtant s'impose: on ne pourra jamais perdre de vue la nécessité de procéder à la restauration d'un pays, quel qu'il soit, dans les conditions les moins onéreuses possible. Une des idées dominantes à cet égard, est l'obligation qui s'impose à tout pays d'opérer autant que possible sa restauration économique en recourant à ses ressources propres, ce sous peine de nuire à l'économie générale du monde. C'est dans cet esprit que nous avons préconisé le rétablissement des moyens de communication qui apparaît la condition essentielle de toute reprise d'activité économique.

Un dernier mot pour conclure ces remarques rapidement esquissées. Le projet prévoit que la moitié de dividendes de la part allemande sera versée à la Commission des Réparations.

Nous reconnaissons avec nos Collègues qu'il faut que l'Allemagne participe à l'œuvre de reconstruction envisagée. En ce qui concerne la disposition reproduite ci-dessus, sans parler des difficultés d'application pratique qu'elle soulève, elle fait apparaître, nous semble-t-il, une antinomie entre l'idée qu'elle exprime et le caractère privé du consortium.

Parmi les questions envisagées hier, figure le mode de constitution du capital social. Ce point soulève l'importante question du change. Il ne nous paraît pas possible de résoudre en quelques heures un problème de cette gravité. Ca [sic] solution pourra être recherchée par le Comité de Direction.

APPENDIX 3 TO No. 117

(A.J. 310.) Propositions en vue de rétablir en Europe de meilleures conditions économiques

Final Version

L'Europe est paralysée. Son industrie est bouleversée, le commerce international y est presque arrêté; la population souffre de chômage et de disette; les moyens de transport sont disorganisés [sic], entravant ainsi tout le mouvement commercial.

Le manque de consiance entre les nations a paralysé les efforts des individus, et les variations de la valeur des monnaies nationales tendent à réduire les échanges au troc primitif et à créer le chômage.

La reprise du commerce international et le développement de la richesse de chaque pays augmenteront la capacité de travail productif et tendront à soulager la gêne actuelle.

Le commerce international ne pourra être rétabli que lorsque industriels et commerçants auront l'assurance que les principes économiques indispensables au développement et à la vie même des entreprises privées seront respectés en Europe Centrale et Orientale.

Les conditions fondamentales qui seules permettront le [sic] reprise des relations commerciales internationales avec l'Europe Centrale et Orientale peuvent être ainsi définies:

Les droits de propriété réels ou personnels ainsi que les droits des entreprises privées doivent être reconnus; il en résulte que sans porter atteinte à la souverain[e]té nationale, les dettes publiques et les engagements des États doivent être également reconnus; il en est de même de l'obligation de remettre en possession ou d'indemniser les propriétaires dépossédés ou expropriés. Un système légal do[it] exister qui sanctionne et assure l'exécution des contrats commerciaux et civils.

Des moyens de change appropriés et suffisants doivent être disponibles; d'une manière générale, la situation financière et monétaire doit offrir au commerce des garanties convenables.

Il est essential [sic] pour ramener l'ancienne prospérité de l'Europe que les conditions indiquées ci-dessus soient remplies, sinon le commerce et le travail ne seront rendus possibles que dans des limites très restreintes.

Une reprise du commerce serait presque impossible avec tout pays qui se refuserait à souscrire à ces conditions et toute l'Europe en souffrirait.

Les marchés de l'Europe centrale et orientale sont nécessaires à la prospérité de l'industrie européenne. Si ces marchés ne peuvent être réorganisés, les États de l'est et du sud-est de l'Europe perdront des millions d'habitants et l'œuvre de reconstitution deviendra de plus en plus difficile; les causes de misère et de famine dans l'Est ne permettront pas pendant une longue période le complet travail des populations ouvrières [?et industrielles] de l'Europe occidentale, et pendant cette période les nations se feront concurrence sur des marchés incapables d'absorber plus d'une fraction de leur production.

Dans ces conditions, la restauration économique de l'Europe sera impossible; l'inflation continuera; le coût de la vie augmentera; l'existence deviendra difficile; à l'ouest comme à l'est de l'Europe, continuera de s'accentuer un malaise général, qui affaiblira progressivement les classes ouvrières et intellectuelles.

Tous les peuples souffrirent [?souffriront] de cet état de choses. On ne peut

oublier en effet que les pays producteurs de matières premières comme l'Inde, la Chine, l'Argentine, le Brésil, s'ils ne peuvent pas les vendre à une Europe appauvrie, ne pourront à leur tour acheter à cette Europe les produits fabriqués qu'elle leur a vendus jusqu'à ce jour.

La procédure qui consiste à laisser chaque pays se reconstituer par ses propres moyens s'est montrée inefficace jusqu'à ce jour. Seule la co-opération complète de toutes les nations de l'Europe et de toutes les classes de la Société peut surmonter les difficultés, encourager et aider chaque pays à faire le meilleur usage de ses énergies et de ses ressources, et c'est pourquoi il est proposé que les princip[a]les puissances alliées, la Grande-Bretagne, la France, l'Italie, la Belgique, le Japon et les États-Unis d'Amérique, s'ils y consentent, prennent chacune leur part de cette tâche, avec l'aide de certains pays capables de fournir une aide efficace.

Il est désirable que l'Allemagne participe à cet effort. L'Allemagne est au point de vue industriel, commercial et financier un facteur important dans l'Europe Centrale et Orientale. Elle ne doit pas seulement ce rôle important à ses ressources propres et à sa position géographique, mais aussi aux connaissances et à l'expérience qu'elle a acquises dans le passé et qui devront être utilisées dans l'œuvre de reconstitution.

Le problème se ramène à rétablir la confiance et l'organisation de crédit nécessaires pour remettre en travail l'Europe centrale et orientale. Les Gouvernements ne peuvent pas entreprendre eux-mêmes cette tâche, car sans invoquer d'autres raisons, les opérations de crédit exigent des connaissances sur la situation et la solvabilité des emprunteurs éventuels, connaissances que seuls des industriels et des financiers peuvent posséder.

Il est proposé de créer une association internationale qui sera constituée en société commerciale. Une proportion convenable du capital nécessaire devra être souscrite dans chaque pays participant; les titres réservés à chaque pays seront attribués tout d'abord au groupe qui aura été constituté [sic] dans ce pays, mais qui pourra les revendre au public au moins en partie. Les nationaux de chaque pays auront le droit d'être représentés dans le Conseil d'Administration, dans la proportion approximative de leur participation.

Il n'y aura pas de contrôle gouvernemental.

Un petit Comité Franco-Britannique sera constitué, en vue d'arrêter tout d'abord un projet de participation et de négocier avec les groupes dans les différents pays pour déterminer la part qu'ils prendront dans la formation de l'organisme central.

Le premier objet de la société sera d'entreprendre, tout en sauvegardant les droits acquis par les ressortissants des pays adhérents, la réorganisation des transports, des services des ports ainsi que l'exploitation des entreprises connexes dans les pays qui recourront à son aide dans les conditions indiquées ci-dessus.

La réorganisation des transports permettra le libre écoulement des marchandises et fera plus que toute autre mesure pour ouvrir la voie à la renaissance de l'esprit d'entreprise chez les particuliers. Il y a, toutefois, plus encore à faire. D'anciennes industries ont besoin d'être ranimées et il faudra trouver de nouveaux champs d'action pour la main d'œuvre. La Société devra, en même temps, encourager les initiatives privées désireuses de se manifester dans des entreprises particulières. La participation de l'Allemagne à la Société fournira une occasion de faciliter le paiement des réparations. A cet effet, la moitié des dividendes de la part allemande serait versée à la Commission des Réparations. Les marchés de fournitures et de travaux seront en principe attribués à chaque pays proportionnellement à sa part de Capital dans la Société et ses filiales.

Il y aurait grand advantage [sic] à constituer la société sous la loi d'un pays où le change serait stable. La Grande-Bretagne paraîtrait convenir si une exemption fiscale, partielle ou totale, peut y être obtenue et sous réserve de l'examen de la question des monnaies.

Une souscription initiale de £10,000 au total par exemple devrait être faite par les pays acceptant de prendre une participation pour couvrir les frais d'études qui s'imposent au début avant que l'organisation puisse être poussée plus avant.

APPENDIX 4 TO No. 117

Press Communiqué

La réunion des délégués industriels et financiers a eu plusieurs séances au Quai d'Orsay sous la présidence de M. Loucheur. Elle a abouti à la rédaction d'un projet, qui sera soumis au Conseil Suprême à Cannes.

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